



# DIRECTORS' REPORT TO THE SHAREHOLDERS

# DIRECTORS' REPORT

**Bismillahir Rahmanir Rahim**

**Dear Shareholders,**

**As-salamu Alaikum,**

The Board of Directors of Republic Insurance Company Limited (herein after 'the Company' or RICL) takes this opportunity to welcome you all to the 22nd Annual General Meeting (AGM) of the Shareholders and present before you the Annual Report of the Company along with the Audited Financial Statements and Auditor's Report for the year ended on December 31, 2021 for consideration and approval of the same by you, our valued Shareholders. The Audited Financial Statements was approved by 137th Meeting of the Board of Directors held on April 27, 2022.

We prepared this Annual Report in compliance with Companies Act 1994, Insurance Act 2010 and guidelines issued by Bangladesh Securities and Exchange Commission (BSEC), Insurance Development & Regulatory Authority (IDRA) and other Regulatory Authorities from time to time.

## **Global Economy**

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging markets and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022 half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage points revision for the United States. In China, pandemic-induced disruptions related to the zero tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. Global growth is expected to slow to 3.8 percent in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective.

Elevated inflation is expected to persist for longer than envisioned in the October WEO, with ongoing supply chain disruptions and high energy prices continuing in 2022. Assuming inflation expectations stay well anchored, inflation should gradually decrease as supply-demand imbalances wane in 2022 and monetary policy in major economies responds.

Risks to the global baseline are tilted to the downside. The emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions. Moreover, supply chain disruptions, energy price volatility, and localized wage pressures mean uncertainty around inflation and policy paths is high. As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions especially with debt levels having increased significantly in the past two years may merge. Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated.

With the pandemic continuing to maintain its grip, the emphasis on an effective global health strategy is more salient than ever. Worldwide access to vaccines, tests, and treatments is essential to reduce the risk of further dangerous COVID-19 variants. This requires increased production of supplies, as well as better in-country delivery

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systems and fairer international distribution. Monetary policy in many countries will need to continue on a tightening path to curb inflation pressures, while fiscal policy operating with more limited space than earlier in the pandemic will need to prioritize health and social spending while focusing support on the worst affected. In this context, international cooperation will be essential to preserve access to liquidity and expedite orderly debt restructurings where needed. Investing in climate policies remains imperative to reduce the risk of catastrophic climate change.

(Source: World Economic Outlook update January, 2022)

### Bangladesh Economy

Bangladesh economy has showed its resilience in 2021. With timely implementation of stimulus packages, continued fiscal and monetary policy supports, hefty remittance inflows, declining COVID-19 infection rate, and increasing coverage of vaccination helped country's economy to walk in the path of recovery from the COVID-19 fallout. As a result, country's economic growth recovered faster attaining 6.94% GDP growth in FY 2021 from 3.45% in FY 2020 largely driven by activities in the agriculture and industry sectors. To support investment and employment generating activities in the recovery process, Bangladesh Bank continued its efforts in line with expansionary monetary policy stance for FY 2022.

Following FY 2020, agriculture sector remained resilient and showed solid performance in FY 2021 growing by 3.17%. Industry sector strongly rebounded and grew by 10.29% in FY 2021 after a slower growth of 3.61% in previous fiscal year. To boost the production and generate employment, government and Bangladesh Bank continued to provide policy support, including sector specific stimulus packages and various refinance schemes, which resulted in higher growth performance. Service sector activities started rebounding in FY 2021 and continued gaining momentum in FY 2022.

COVID-19 had pushed down the credit growth in the FY 2021. However, private sector credit started to grow as the external trade started picking up since early FY 2022. As import of capital machinery increased along with vaccine payment started and international travels resumed, US dollar slightly appreciated against Bangladeshi taka. Between June-December of 2021, value of Taka depreciated by 1.16% in terms of US dollar and was quoted at Tk. 85.8 at the end of 2021.

Driven by non-food components, point to point CPI inflation exhibited an upward trend reaching at 6.05% in December 2021. Twelve month average CPI inflation was 5.55% in December 2021 which is slightly higher than the target of 5.30% for FY 2022. Country's gross foreign exchange reserves stood at USD 46.15 billion at the end of December 2021 compared to USD 43.17 billion of last year.

Even though the import and export grew substantially, the import growth was higher compared to export earnings which resulted in higher trade deficit of the country. Meanwhile, country's current account deficit deteriorated further in the first half of FY 2022 due to higher import payment obligations along with lower inflow of remittances. Current account deficit stood at USD 8.18 billion during July-December in FY 2022 against USD 3.52 billion surplus in July-December in FY 2021.

Bangladesh Securities and Exchange Commission (BSEC) and the Government of Bangladesh took a number of initiatives to boost investors' confidence in the capital market. Moreover, the central bank undertook several policy measures under the stimulus package which helped in amplifying liquidity in the market, building investors' confidence and stabilizing the capital market.

### Global Insurance Market

According to Swiss Re Institute report sigma No. 3/2021, Insurance industry worldwide was affected by COVID-19 pandemic. Global insurance premium overall had nominal growth of 0.04% in the year 2020 as against overall growth rate of 3% in 2019. Global Premium income is now USD 6.3 trillion which is 7.4% of global GDP. The global Life insurance market contracted by -3.1% in 2020 with premiums at US\$ 2.8 trillion. The highest contraction took place in life insurance business in developed countries. The non-life insurance market grew by 2.8% in 2020 with

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premiums at US\$ 3.49 trillion. According to Swiss Re forecast, real premium globally will rise by 3.3% in 2021: life 3.8% and non-life 2.8%. The highest growths will come from emerging countries including China. Growth rates in advanced countries will be approximately half of emerging countries.

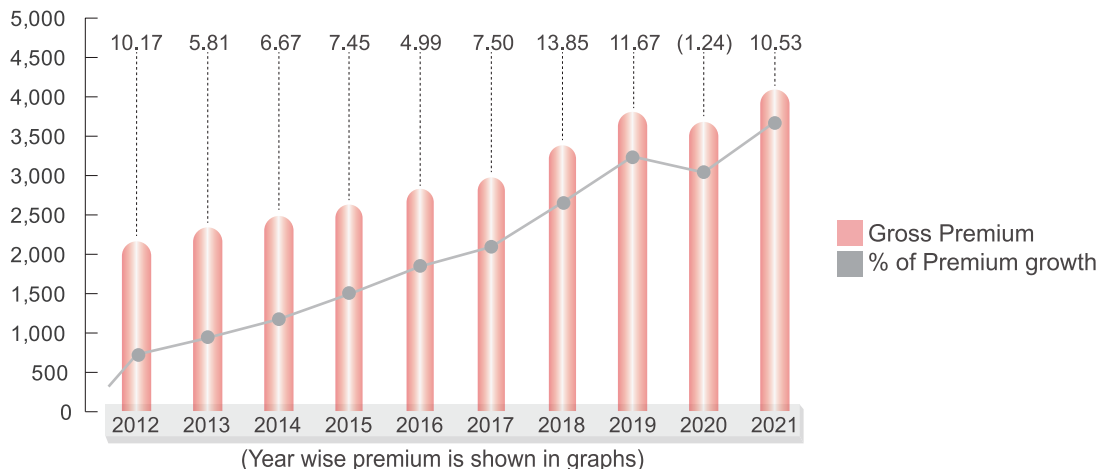
### Insurance Market in Bangladesh

According to Bangladesh Bank Statistics, Bangladesh GDP was 5.2% in 2020 and is forecast to be 8.2% in 2021 and 8.3% in 2022. The country has already passed through 2 years' period of uncertainties and difficulties created by COVID-19 pandemic. However, people of this country have courageously faced the adverse situation, so created, by carrying on economic activities with inborn resilience, with which we have been blessed. Government's adoption of a policy of mass vaccination at the early stage of the pandemic has effectively contained a situation which otherwise could have been worse. This has put Bangladesh ahead of many developing countries. Exports continue to rise and there is expansion of economic activities in all spheres, the forecast of significant growth in the country's GDP in the coming years no doubt realistically reflects this optimistic situation. Bangladesh non-life insurance industry continues to operate as one of the smallest in the world (holding 86th position in the world ranking). It has been reported that in the year 2020 Bangladesh insurance market contracted: Life -0.898% and non-life 0.866%. the rate of insurance penetration has reduced to: Life 0.3% and non-life 0.1% from 0.4% and 0.2% respectively. The situation is particularly dismal for the non-life insurance sector where 45 private insurers and 1 state-owned corporation earned estimated TK 37,373.82 million in premium income. Our non-life insurance market continues to be extremely overcrowded when compared with developing countries including our neighbors. The situation has obviously given rise to intense and unhealthy competition among the existing players. At the same time, with deteriorating standard of clients' services, public trust on insurance continue to diminish. Much need to be done to remedy the situation. There is no reason why, in line with the country's impressive GDP growth, the insurance industry should also not grow by remedying its manifold problems and, most important, by tapping the hitherto untapped segments of the market.

According to Insurance Development and Regulatory Authority (IDRA) the total gross premium of life and non-life insurance grew 8.45% year-on-year to Tk. 14,392 crore in 2021. During the year gross premium income of Non-life insurance was increased 10.53% from the previous year. The Comparative premium position during the last 10 years are as follows (Source: IDRA Souvenir of Bima Dibosh 2022):

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Gross Premium</b>	2167	2293	2446	2643	2773	2981	3394	3790	3743	4137
<b>Growth%</b>	10.17	5.81	6.67	7.45	4.99	7.50	13.85	11.67	(1.24)	10.53

NB: All the of gross premium is in BDT Crore and Data of 2021 is unaudited, may differ with the audited data.



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## COMPANY'S BUSINESS ACTIVITIES AND PERFORMANCE REVIEW

In 2021, under extremely challenging conditions, RICL has performed well in key areas of its business activities. Our balanced growth has generated positive returns for the stakeholders. This pandemic has taught us to be resilient, adaptive, innovative and positive in the face of adversity and we are confident to deliver performance in the coming days.

### Gross Premium

**Dear Shareholders,** private sector investment was slow during the last couple of years and due to this, private sector business of the Company has not enhanced properly. Globally, Bangladesh also faces some other challenges. To overcome all these, the Govt. has been trying to maintain improvement in all sectors of the economy of Bangladesh, especially in import, export & investment in the industrial sector. We know that general insurance business depends on import, export, investment in the industrial sector, and coverage of security of all kinds of assets. The year 2021 was not favourable for overall business i.e import, export, investment in industrialization were slow due to COVID-19 as per previous year 2020. However, despite of these RICL has been able to achieve as per desired target. We know that at present a large number of insurance companies in Bangladesh are certainly not commensurate with the size of the market that has led to aggressive competition which has been detrimental to the industry as a whole.

Considering all difficulties, the Management Team of the Company paid proper attention on time in professionally and due to the attention the Company earned gross premium of Tk. 748,447,578 in 2021.

**The last five years gross premium income of the Company are as under:**

(Amount in BDT)

2021	2020	2019	2018	2017
748,447,578	780,016,220	680,288,526	534,379,668	478,241,306

### Product Performance Analysis

#### Fire Insurance:

The Fire insurance business constitutes 38% of the total portfolio of the Company. During the year, the Company has underwritten a gross premium of Tk. 283,098,685 whereas it was Tk. 368,520,467 in 2020.

#### Marine and Marine Hull Insurance:

This class of business constitutes 46% of the total portfolio. The Company has underwritten a gross premium of Tk. 341,750,647 in the current year as compared to Tk. 295,537,325 in the previous year.

#### Motor Insurance:

This class of business constitutes 4% of the total portfolio. During the year, the Company has underwritten a gross premium of Tk. 33,448,303.

#### Miscellaneous Insurance:

The Miscellaneous class of business constitutes 12% of the total portfolio. During the year, the Company has underwritten a gross premium of Tk. 90,149,943.



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The following table shows the segment-wise underwriting performance of the Company in the last five years:

(Amount in BDT)					
Class of insurance	2021	2020	2019	2018	2017
Fire	283,098,685	368,520,467	321,154,578	230,544,884	217,452,284
Marine & Hull	341,750,647	295,537,325	198,932,325	161,894,779	138,945,503
Motor	33,448,303	46,655,463	62,403,635	55,855,894	47,921,922
Miscellaneous	90,149,943	69,302,965	97,797,988	86,084,111	73,921,597
<b>Total</b>	<b>748,447,578</b>	<b>780,016,220</b>	<b>680,288,526</b>	<b>534,379,668</b>	<b>478,241,306</b>

### POSITION OF PAID UP CAPITAL & RESERVES

#### Authorized Capital

The authorized capital of the Company is Tk. 100 crore divided into 100,000,000 ordinary shares of Tk.10/- each.

#### Paid up Capital

**Dear Shareholders,** RICL has been increasing its business volume gradually. For this, it required increasing the Paid up Capital size and accordingly, the Board of Directors decided to enhance the Paid up Capital every year to fulfill the compliance of Insurance Development and Regulatory Authority's (IDRA). The position of Paid up Capital is as under:

2009	IPO of Tk. 9 crore	Tk. 150,000,000
2010	10% stock dividend	Tk. 165,000,000
2011	10% stock dividend	Tk. 181,500,000
2012	10% stock dividend	Tk. 199,650,000
2013	12% stock dividend	Tk. 223,608,000
2014	12.50% stock dividend	Tk. 251,559,000
2015	10% stock dividend	Tk. 276,714,900
2016	13% stock dividend	Tk. 312,687,830
2017	12.% stock dividend	Tk. 350,210,370
2018	12.50% stock dividend	Tk. 393,986,650
2019	10 % stock dividend	Tk. 433,385,310
2020	7% stock dividend	Tk. 463,722,280
2021	7% stock dividend	Tk. 496,182,830
<b>2022</b>	<b>5% stock dividend (proposed)</b>	<b>Tk. 520,991,971</b>

#### Reserve Fund

**Dear Shareholders,** to protect the risk factors of the Company, it is essential to have a good amount of reserve fund of the Company. We have planned to build up a good amount of reserve fund, so that we can settle any financial requirements from the reserve fund. The position of Reserves of last five years are shown below:

(Amount in BDT)				
2021	2020	2019	2018	2017
<b>339,967,477</b>	286,646,023	237,856,108	189,801,715	172,399,340

#### Claims

**Dear Shareholders,** Republic Insurance Company Limited is always committed to settle the insurance claims in time. We believe that our commitment is the satisfaction of our customers and their satisfaction is our Company's goodwill. The Board of Directors of the Company delegates the power to the Claims Committee for settling any

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amount of claim in the quickest time. During the year 2021, the Company paid a net amount of Tk. 16,820,558 as claim which helped the customer to recover their losses. The last five years breakup of net claim paid is enumerated below:

(Amount in BDT)

2021	2020	2019	2018	2017
16,820,558	44,127,131	41,312,635	89,791,592	56,225,256

### Re-insurance

**Dear Shareholders,** the Company underwrites large number policies with a wide range of risk for various classes of insurance, which involves billions of taka. Every insurance company has limited capital, which is not sufficient to pay a small percentage of catastrophic loss or in a single big loss. To protect the interest of the Company as well as the policyholders every company retains a small percentage of risk in their own share and shifts a major portion of risk to other re-insurer company.

RICL has arranged sufficient protection through the reinsurance arrangement with state owned organization of Sadharan Bima Corporation (SBC). Republic Insurance has full coverage of its customer's insurance risk and sufficient catastrophe cover to protect any national disaster. The Board of Directors is always aware of the customer's insurance risks and ensures the protection of its liability by reinsurance arrangement. During the year 2021, the Company has paid re-insurance premium at Tk. 336,959,132 to protect the risk covered by the Company. Republic Insurance Company Limited is fully equipped with technical expertise. Our present reinsurance arrangement is well secured to protect the interest of the Company as well as the policyholders in the event of any consequences.

### Statement of Profit & Loss and Other Comprehensive Income

**Dear Shareholders,** The Board of Directors is always careful about the honorable shareholders' interest. Under the active guidance and supervision by the Board, the Management performs its responsibility for achieving the financial goal of the Company. The Company earned a net profit before tax of Tk. 165,571,105 compared to the last year's balance. It is determined that during the year the Company paid huge amount of claims, which affected the profit of the Company. The breakup of the distribution is as follows:

Description	Amount (Taka)
Net Profit before Tax	165,571,105
Less: Provision for Income Tax & Deferred Tax	47,328,532
Net Profit After Tax	118,242,573
Add: Balance Brought forward of previous years retained earnings	74,695,254
Less: Reserve for Exceptional Losses	41,148,844
Less: Issuance of Bonus Share for the year 2020	32,460,550
Less: Cash dividend paid for the year 2020	32,460,569
Less: General Reserve	750,000
<b>Profit available for distribution</b>	<b>86,117,864</b>

### Earnings per Share (EPS)

**Dear Shareholders,** during the year 2021, the Company's EPS is Tk. 2.38 but it had been restated to Tk. 2.21 in 2020. As you know that we have, increased our capital on an average 8% for the last couple of years although we have been maintaining a steady increase of EPS compared to others.

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### Investment

Insurance is a kind of risk management activities primarily used as hedge against the risk of a contingent or an uncertain loss. To meet the uncertain loss, the Company keeps the amount in the form of investment. In the other hand, good investment is also a major tool of the Company's profit. Republic Insurance Company earns investment profits at large scale. Due to this, the Board expects to increase the investment figure of the Company. Our wish is to earn more profit from the Company's investment. For the greater interest of the Company as well as Shareholders, we ensure the maximum utilization of the fund and in this connection we have invested the fund properly. The last five years investment's breakup of the Company is furnished below:

(Amount in BDT)

2021	2020	2019	2018	2017
586,298,292	527,203,401	474,107,897	435,025,602	466,276,135

### Dividend

**Dear Shareholders,** it is a great pleasure for the Board of Directors of the Company to recommend 5% stock dividend and 10% cash dividend for each share @ Tk. 10 for the year ended on December 31, 2021 subject to approval of the Shareholders in the 22nd Annual General Meeting. The Shareholders, whose names shall appear in the 'Depository Register' on the record date i.e. on the May 26, 2022 shall be entitled to this dividend.

### Corporate Social Responsibility (CSR)

**Dear Shareholders,** during the year 2021 the Company spent a considerable amount for medical treatment for the needs of employees of the Company and their parents. We have also been participating in contributing financial support to the Fund, formed by Bangladesh Insurance Association for sponsoring various state programs and for the help of victims affected by natural hazards. We have also been giving financial help for medical treatment of concerned person which recommended by Insurance Development and Regulatory Authority (IDRA). Besides these, Board of Directors of Republic Insurance Company Limited planned to create a Fund to utilize the same exclusively for the education of multilevel poor students in the country. The Company has distributed 3500 blankets among the cold-stricken people in the year 2021. The Company's CSR policy is to develop the most under privileged people and to motivate them to self-reliant.

### Board Committees

Republic Insurance Company has several Sub-committee under the Board. The Board Members in their meeting appointed the Members for the sub-committee including the Chairman of Committee. After fulfillment the tenure of the committee, the members of committee changed within the Board members. Every sub-committee has separate scope of work and the Board approve the terms of references. The Sub-committee are independent and responsible to provide their expertise opinion to the Board. At present, there are 5 (five) sub-committees of the Company for performing their duties on behalf of the Board. The name of the committees are as under:

- (1) Executive Committee
- (2) Audit Committee
- (3) Nomination & Remuneration Committee (NRC)
- (4) Claims Committee
- (5) Investment Committee



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## Retirement and election/re-election of Directors

### Retiring Directors (Group "A" and Group "B"):

In terms of the provisions of clauses 96 & 97 of the Articles of Association of the Company, the following three Directors from the sponsor shareholders' group i.e. group "A" and one Director from the public shareholders group i.e. group "B" will retire in this AGM:

#### Group "A":

- (1) Mrs. Hasina Gazi
- (2) Mr. S.M. Shafiul Hoque
- (3) Mrs. Khurshida Rahman

#### Group "B":

- (1) Mr. Feroz U. Haider

Being eligible, all the above directors have offered themselves for re-election.

### Public Shareholders Group "B":

A public notification with regard to election of Directors of the Company from the public shareholders was published in two national dailies namely "The Daily New Nation" and "The daily Banijjya Protidin" on April 13, 2022 and 2 (two) applications received from public shareholders group "B" for appointment as Director. The matter was placed before the Nomination and Remuneration Committee (NRC). The NRC reviewed relevant papers and found eligible for election in the forthcoming AGM of the Company. The particulars of 2 (two) applicants are as under:

SL #	Name of applicants	BOID #	No. of Shareholdings
01)	Mrs. Shahella Rashid Chowdhury (Nominated by Cove Investment Limited)	1203610073552397	2263973
02)	Mr. Mohammad Arif FCA, FCMA (Nominated by Unitex LP Gas Limited)	1203610073687831	1729758

## Appointment of Independent Directors

In Compliance with Bangladesh Securities and Exchange Commission (BSEC) Corporate Governance Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated: June 03, 2018, at present the Company has one Independent Director namely Mr. Md. Abdur Rouf. In compliance of the said notification the Board is searching competent and qualified person to appoint required Independent Directors of the Company.

## Remuneration paid to Directors including Independent Directors

The Company has paid Tk. 968,000 as directors' fee to the directors including Independent Directors for attending committee and Board meetings in 2021, which has been mentioned in company's profit and loss accounts. The Company has not paid any amount as remuneration to the directors in the year 2021.

## Credit Rating

Republic Insurance Company Limited has been awarded "AA-" (pronounced AA minus) in long term and "ST-2" in short term and rated by Alpha Credit Rating (AlphaRating). The rating reflects RICL's established track record, improved underwriting performance, GPW and net income. The rating also draws strength from the improved risk absorption capacity with improved equity base, financial base and premium solvency ratio. The rating is however; constrained by decline in ROA and reserve solvency ratio, moderate liquidity position, dependence on investment returns and moderate systems and processes.

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### Information Technology (IT)

We are updating regularly with the changes of IT world. Our branches have been brought under online networking. We are also getting 200 Plus system generated MIS reports which help management to take decisions properly and timely, controlling business procurement through Computer Integrated Insurance System (CIIS) software and quick accessing the underwriting documents through CIIS for departmental integration with Underwriting, Claims & Re-Insurance and Accounts department. By this time, Company has implemented a lot of IT facilities to our shareholders and customers.

We are trying to set up informational technology based products such as Card Protection Insurance, Online Motor Insurance, etc. in a way to settle every valid claim in a shorter span of time, we attempt to improve our core competency in claims management because we want to reflect in our every dealing that insurers must be the ones who are in the business of indemnifying policyholders when misfortunes do strike.

### Internal Control

The Board is responsible for ensuring adequate and effective control system. Although no system of internal financial control can provide absolute assurance against material misstatement or loss. The company's internal control systems have been designed to provide the Directors with reasonable assurance that assets are safeguarded against unauthorized use by the employees or management and or third parties. Transactions are authorized and properly recorded and material error and irregularities are either prevented or detected within a reasonable period of time. Properly designed management structure, clearly defined responsibilities, delegation or authorities, establishment of accountability at each level and system of periodic reporting and monitoring performance are the key elements of the internal control framework employed in Republic Insurance Company Limited.

### Appointment of Statutory Auditors

The Company's Statutory Auditors Malek Siddiqui Wali, Chartered Accountants will retire in the 22nd Annual General Meeting. Being eligible under section 212 of the Company's Act 1994, the Auditors have expressed their willingness to continue for the financial year 2022 as per existing year fee. The Auditors have completed their 1st year of audit and hence are eligible for reappointment. The Board of Directors of the Company recommended for approval of the appointment of Malek Siddiqui Wali, Chartered Accountants as Auditors of the Company for the year 2022 with a fee of Tk. 3,85,000.00 (including VAT & Tax) subject to approval of Shareholders in the 22nd Annual General Meeting.

### Appointment of Compliance Auditor

As per Corporate Governance Code No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June, 2018 the Board in its 137th meeting has re-appointed T. HUSSAIN & CO., Chartered Accountant for obtaining certificate of compliance of Corporate Governance for the year 2022 subject to approval in the 22nd Annual General Meeting.

### Corporate Governance

Dear Shareholders, the Board of Directors firmly believes that the practice of Good Corporate Governance is absolutely necessary for ensuring a disciplined and sustainable national economy. Thus, there is a full-fledged commitment of the Board, towards incorporating Corporate Governance and Transparency in all spheres of operations and management of the Company. Status of compliance with the conditions imposed by Bangladesh Securities and Exchange Commission's Notification No. SEC/CMMRRCD/2006-158/207/Admin//80, dated June 03, 2018 along with a certificate from a practicing Chartered Accountant have been presented on page no. 51-65 in this report as Compliances on BSEC's Notification.

### Risk Reporting

The corporate disclosure of relevant information are very important for effective decision-making by investors and other stakeholders. Generally Companies provide information through various mandated and voluntary means. Mandated disclosures include financial reports and other regulatory filings, while voluntary disclosures are those made in addition to disclosures mandated by regulations, such as company presentations or profile and other adhoc disclosures.

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Disclosure requirements for mandated financial reports are typically set out in country is legislation, stock exchange listing rules, national generally accepted accounting principles and the International Financial Reporting Standards (IFRS) The objectives of financial reporting are to provide financial information to equity and debt capital providers useful in decision making.

Pressure on companies to voluntarily provide more frequent disclosures, such as quarterly earnings guidance, has led to the view that companies have become too focused on delivering short-term results, potentially at the expense of their long-term viability. Investors demand for greater transparency includes increasing requests for the disclosure of non-financial information, such as environmental, social and governance data. Central to this demand is the argument that the disclosure of such data improves the ability of investors to evaluate and understand a company's long-term risks and that it is therefore relevant to investment-related decision making. Republic Insurance Company Limited endeavours to provide full disclosure information and meet all disclosure demands, mandated and non-mandated, as outlined above.

Disclosures relating to Risk reporting ensure proper identification of physical hazards based on risk factors, analysis on appropriate measures to control risks and the last but not the least, to decide on the extent of risk financing. Republic Insurance Company Limited, through their expert professionals time and again imparts awareness to the clients toward achieving the objectives of how to analyze the risk factors associated with different activities, observe how risks can affect decision making process, and how operational risks can be managed properly by arranging adequate insurance protection.

The basic risk specific information which need to be gathered and recorded are: (a) internal enquiry report which identify the possible cause of such incident, measures taken to control the loss, regular safety compliance and maintenance records (b) disclosure of risk in respect of date and time of occurrence of the incident along with its corresponding extent of loss, etc. all of which must be documented so that proactive measures for loss prevention can be prescribed.

Transparency is the key to the existing risk management system that Republic Insurance Company Limited always encourages its clients to maintain; Risk reporting disclosure ensures such transparency. It helps maintain records to aid in risk inspection properly and thus arrange for proper insurance protection and provide further advisory support for better risk management.

Republic Insurance Company Limited thus ensures/ encourages proper risk management of their clients that benefits them by saving resources. The clients' time, assets, property, income, and people - all are valuable resources that can be saved if fewer claims occur. Proper risk management also ensures protecting the reputation and public image of the clientele, preventing or reducing legal liability and increasing the stability of operations; it creates awareness in protecting people from harmful events, and thereby protecting the environment by enhancing competence and efficiency by reducing liabilities, and also assisting in clearly defining insurance needs.

Republic Insurance Company Limited though cannot entirely eliminate risks of its clientele, but through its experience of efficient risk management practice, endeavours to set forth its commitment to help its clients in loss minimization or provide advisory support for loss prevention and thus makes the client to manage a better risk to insure as well. Our concerted efforts thus help to control overall manufacturing and business environment. After all, following a loss while the economic consequences are made up through the mechanism of Insurance, we can never make up the effects of the loss on human beings, to the society, country and world at large.

### Board Meeting

The Board members sometimes review the activities of the Company and decide the topics relating to policy and accordingly, monitor the progress of the Company. As per the Companies Act 1994 and the Articles of Association the Board meetings are being held.

Board meetings are normally held to discuss and decide on major corporate, strategic and operational issues as

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well as to evaluate major investment opportunities. At the Meetings, Chairperson of the Board allocated sufficient time for the directors to consider each agenda in a prudent way and allowed them to freely discuss, enquire and express opinion on the items of interest so that they can fulfill their duties to the best of their abilities. 6 (six) Meetings of the Board were held in 2021, wherein policies and major business and strategic decisions were taken, At the invitation of the Board Members, Senior Management person thereof attended Board Meetings for the purpose of participating in discussions.

### Related party transactions

As per International Accounting Standard (IAS) 19 "Related Party Disclosures" parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in Notes: 35.00.

### Cost of Service and Profit Margin

The overall cost of services increased during the year, mainly due to reduce of premium rates and increase of Management expenses by 10% for COVID-19 to keep the services running according to the health guidelines recommended by the government. However, reduce Agent Commission expenses and Claims expenses by 53.09% and 61.88% respectively, RICL managed to increase the year-on-year net profit margin by 7% by taking various efficiency measures in controlling management cost and cost-saving initiatives across a wide array of spectrums.

### Entitlement of Dividend

Shareholders whose names shall appear in the Members Register of the Company or in the Depository Register of CDBL on the 'Record Date' of the respective year's AGM will receive entitled dividend.

### Process of Distribution of Cash Dividend

Cash dividend shall be paid directly to the bank account within 15 days and not more than 30 (thirty) days from the date of approval by the Shareholders in the AGM and the date of the Board's approval in case of interim Dividend subject to compliance of circulars/directives of BSEC or Bangladesh Bank or other regulatory authority from time to time.

### Procedure of stock dividend distribution

The stock dividend shall be credited within 30 (thirty) days of approval subject to the clearance of the regulatory requirement. Process for settling unpaid dividends unpaid or unclaimed cash dividend and stock dividend shall be settled as per instructions of the BSEC or other regulatory authority from time to time.

### Directors' declaration on the financial statements

The Directors are responsible for the governance of the Company and, as part of preparation and presentation of the financial statements for the year ended December 31, 2021 of Republic Insurance Company Limited, the Directors confirm, to the best of their knowledge that:

- ◆ The financial statements, prepared by the Management of the Company, which was duly scrutinised by the external auditors, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- ◆ Proper books of account of the Company have been maintained;
- ◆ Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgments;
- ◆ The International Accounting Standards (IAS) and/or IFRS as applicable in Bangladesh, have been followed in preparation of the Financial Statements and any departure there from has been adequately disclosed;

## DIRECTORS' REPORT

- ◆ The system of internal control is sound in design and has been effectively implemented and monitored; and
- ◆ There is no doubt, whatsoever, upon the Company's ability to continue as a going concern.

As required under the BSEC Corporate Governance Codes, the Directors further confirm that:

- ◆ The CEO and CFO have certified to the Board that they have reviewed the financial statements and affirmed that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- ◆ The CEO and CFO have certified to the Board that they have reviewed the financial statements and affirmed that these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- ◆ The CEO and CFO have further certified to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct. The CEO and CFO have further certified to the Board that there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.

Declaration of CEO & CFO of the Board of Directors is shown in page 70 in this report.

### Other regulatory disclosures

Pursuant to the BSEC Notification on 'Code of Corporate Governance' (CGC) dated June 03, 2018, the Directors of RICL also report that:

- ◆ The Company is aware of its various risks and concerns. The financial risk management has been disclosed under Note 2.20 of the financial statements;
- ◆ All transactions with related parties have been made on a commercial basis and the details of related party and transactions have been disclosed under note 35 of the financial statements;
- ◆ Proper books of account of the Company have been maintained;
- ◆ Appropriate accounting policies have been followed in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- ◆ The financial statements are prepared in accordance with IAS/IFRS and any departure there from has been adequately disclosed;
- ◆ The Company's IPO was made during inception. No further issue of any instrument was made during the year;
- ◆ From inception, the financial results of the Company have continued to grow as reflected in the yearly financial statements of the Company;
- ◆ No extraordinary gain or loss has been recognized in the financial statements of the Company;
- ◆ No significant variations have occurred between quarterly and final financial results of the Company during 2021;
- ◆ During the year, the Company has paid a total amount of Tk. 968,000 as Board meeting attendance fees;
- ◆ All significant deviations from the previous year in the operating results of the Company have been highlighted and reasons thereof have been explained;
- ◆ The key operating and financial data for the last five years have been disclosed in the Directors' Report;
- ◆ The Company has proposed cash dividend for the year 2021;



## DIRECTORS' REPORT

- ◆ During 2021, Six (6) Board Meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in page 67 in this report;
- ◆ Rights and interests of the minority Shareholders have been duly protected by means of transparent operations and proper disclosure of material information of the Company;
- ◆ No bonus or stock dividend has been declared as interim dividend during the year;
- ◆ A statement of 'Management Discussion and Analysis' has been presented on page 45-49 in this report;
- ◆ Shareholding pattern of the Company as on December 31, 2021 is shown in page 66 in this report; and
- ◆ Directors' profiles have been included in the Annual Report as per BSEC Guidelines.

### Financial statements

The Board of Directors of Republic Insurance Company Limited would like to inform that the Financial Statements containing the audited accounts for the year ended December 31, 2021 are in conformity with the requirements of the Companies Act, 1994, IAS and IFRS as adopted and applicable, Securities & Exchange Rules-1987 and the listing Regulations of the Dhaka and Chattogram Stock Exchanges, and believes that the Financial Statements reflect fairly the form and substance of all transactions carried out during the year under review and reasonably accurately present the Company's financial condition and results of its operations.

### Code of conduct for the chairperson, other Board members and Chief Executive Officer

The Company has prepared Code of conduct for the chairperson, other Board members and Chief Executive Officer and approved by the Board. The Code of conduct for the chairperson, other Board members and Chief Executive Officer is disclosed in page 86-90 in this report.

### Dividend distribution policy

The dividend policy outlines the amount of cash that will be distributed to the Shareholders every year as a dividend from the after-tax profit of the Company. The dividend policy is based on balancing the value expectations of Shareholders and ensuring funds availability for future expansion plans. The top line statement of the policy is that the Board of Directors proposes a remarkable dividend to the Shareholders of the Company's after-tax profit every year. The Board of Directors of the Company approved Dividend Distribution Policy as per applicable Acts and regulatory directives issued by the Bangladesh Securities and Exchange Commission. The Dividend Distribution Policy of the Company is shown in page 91-93 in this report.

### Future Prospect

It is a matter of optimism that Insurance Development and Regulatory Authority (IDRA) has rightly identified the obstacles in insurance industries and is trying to resolve those problems. Notable steps already taken are prohibition of undertaking risk with premium rate lower than tariff rate and stopping the tendency of issuing insurance documents without receiving premium. Insurance Companies and Bangladesh Insurance Association (BIA) have come forward in implementing the steps adopted by IDRA with sincerity. By this insurance companies are being benefited and they are advancing gradually toward prosperity. We are strengthening our marketing and other departments of the company to increase our gross premium income substantially by maintaining the rules and regulations of IDRA and we hope that we would be able to generate higher return for the shareholders' investment in the years to come.

### Conclusion

The Board of Directors of the Company takes the opportunity to express gratitude to the shareholders, valued clients, patrons and well wishers for their appreciation and continued support and co-operation. The Company is

## DIRECTORS' REPORT

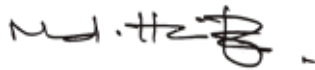
indebted to its clients, shareholders, the Government Authorities, particularly the Ministry of Finance, the Ministry of Commerce, Insurance Development & Regulatory Authority, Registrar of Joint Stock Companies & Firms, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Ltd., Chottagram Stock Exchange Ltd., Central Depository Bangladesh Limited (CDBL), Sadharan Bima Corporation, Bangladesh Bank, Commercial Banks, Bangladesh Insurance Association and Bangladesh Insurance Forum for their continued support towards the growth of the Company. The Board of Directors also expresses deep appreciation to the management and all members of staff who were called upon to face some major challenges while at the same time maintaining the highest standards of service to our clients. We thank each and all of them for their performance.

We always solicit your continued support, co-operation and valuable advice in the years to come.

May Allah bless us all

Allah Hafez

On behalf of the Board of Directors



**(Mohd. Hanif Chowdhury)**  
Chairman