



# DIRECTORS' REPORT

## TO THE SHAREHOLDERS OF REPUBLIC INSURANCE COMPANY LIMITED

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 23rd 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, 2022, for consideration and approval. The Audited Financial Statements were approved by the 143rd Meeting of the Board of Directors held on April 27, 2023.

We prepared this Annual Report in compliance with the 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

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation.

The global economy is experiencing several turbulent challenges. Inflation higher than seen in several decades, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Normalization of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions, for example, in China.

Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. About a third of the world economy faces two consecutive quarters of negative growth. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging markets and developing economies.

*(Source: International Monetary Fund (report, October 2022)*

### BANGLADESH ECONOMY

"Bangladesh's gross domestic product (GDP) is expected to grow by 5.3% in fiscal year (FY) 2023". The slower growth forecast reflects subdued domestic demand and weaker export expansion due to slow global growth following the Russian invasion of Ukraine. Inflation is forecast to accelerate from 6.2% in FY2022 to 8.7% in FY2023. The current account deficit is anticipated to narrow from 4.1% of GDP in FY2022 to 1.6% of GDP in FY2023 as imports loosen and remittances grow. The main risk to this growth projection is a greater economic slowdown in Bangladesh's major export destinations driven by global uncertainty over the prolonged political tensions.

"The government is managing relatively well against the impact of external adversities and has embarked on the reform programs as precautionary

measures," said ADB Country Director for Bangladesh Edimon Ginting. "Accelerating key reforms during these difficult times would help the country sustain higher growth in the medium term. These reforms include strengthening public financial management and domestic resource mobilization, deepening the financial sector, and enhancing competitiveness to promote the creation of productive jobs in the private sector," Mr. Ginting said. "This is also a high time for enhancing resilience against the global energy market volatility by creating an enabling environment for rapid expansion of domestic renewable energy supply to reduce dependence on fossil fuels in line with the country's climate agenda."

The ADO April 2023 states that private investment growth will be lower because of energy shortages and higher production costs. With a shortfall in revenue collection, austerity measures, and depleting foreign exchange reserves, public investment growth will also be slower.

Inflation is expected to accelerate from 6.2% in FY2022 to 8.7% in FY2023 as price pressures increase due to the upward adjustment of domestic-administered prices for fuel oil, gas, and electricity, and higher global commodity prices.

In its 50-year partnership with Bangladesh, ADB has mobilized over \$50 billion in loans and grants, including cofinancing, to improve infrastructure, public services, and social development for the country's people. ADB's current sovereign portfolio in Bangladesh has 50 projects worth about \$11.9 billion.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members-49 from the region.

*[Source: Asian Development Outlook (ADO) April 2023]*

### GLOBAL INSURANCE MARKET

According to the 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 premium

## DIRECTORS' REPORT

mobilization will exceed the USD 7 trillion mark this year for the first time in the history of the country. 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.

(Source: Swiss-Re, sigma 4/2022)

### INSURANCE MARKET IN BANGLADESH

Bangladesh's non-life insurance industry continues to operate as one of the smallest position in the world. Just after the Liberation of Bangladesh in 1971, Sadharan Bima Corporation (SBC) and Jiban Bima Corporation (JBC) have been established under the Insurance Corporation Act 1973 as state-owned organizations to deal with non-life and

life insurances respectively. SBC and JBC are state-owned reinsurance service providers. Thereafter permission was given to private insurance companies to operate in accordance with the provisions of the Insurance (Amendment) Ordinance, 1984.

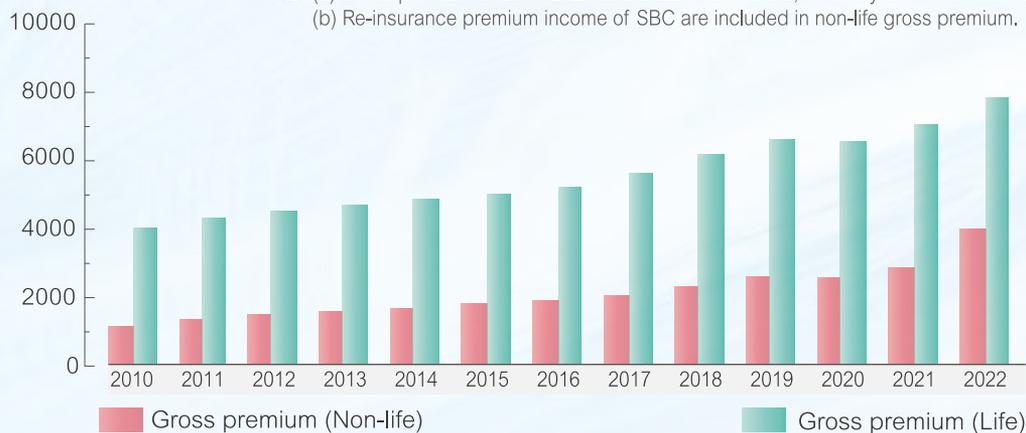
The Economy of Bangladesh has rapidly been shifting from the agricultural to the services sector. The role so played by the service sector is burgeoning as well. Insurance is one of the ingredients of the financial services industry and has a lot to play if it is promoted properly. In this comprehensive and ultimate guide on the insurance sector of Bangladesh, we will walk you through the itineraries of the market.

Insurance companies assume the risk of life and property of customers against insurance premiums. An analysis of the growth in premium income shows that the insurance sector has been consistently improving since independence. The total premium income in the country in 1973 was Tk. 11.90 crore. In 2008, the total premium income in the insurance sector was Tk. 5317.08 crore, which stood at Tk. 16,812.65 crore in 2022. The growth of premium income from 2008-2022 is about 216.20 percent i.e. annual average growth is 15.44 percent.

The comparative premium position from 2010 to 2022 is as follows:

Gross Premium in BDT Crore													
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Non-life	1658	1967	2167	2293	2446	2643	2773	2981	3394	3790	3743	4147	5813
Life	5835	6255	6587	6840	7076	7316	7588	8198	8989	9600	9528	10260	11402
<b>Total</b>	<b>7493</b>	<b>8222</b>	<b>8754</b>	<b>9133</b>	<b>9522</b>	<b>9959</b>	<b>10361</b>	<b>11179</b>	<b>12383</b>	<b>13390</b>	<b>13271</b>	<b>14407</b>	<b>17215</b>
<b>Growth (%)</b>		9.74	6.47	4.32	4.27	4.59	4.04	7.9	10.76	8.13	-0.89	8.57	16.71

NB: (a) Gross premium data for 2021 and 2022 is unaudited, and may differ from the audited data  
(b) Re-insurance premium income of SBC are included in non-life gross premium.



[Source: IDRA Souvenir, published on March 01, 2023]

## COMPANY'S BUSINESS ACTIVITIES AND PERFORMANCE REVIEW

### GROSS PREMIUM

Dear Shareholders, private sector investment was slow during the last couple of years, and due to this, RICL's business in the private sector segment has gained moderately. 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 the general insurance business depends on import, export, investment in the industrial sector, and coverage of security of all kinds of assets. Due to the Russia and Ukraine Wars and the fluctuation of the US dollar exchange rate the overall business, i.e. import, export, and investment in industrialization were slower than the previous year 2021. However, despite of these RICL has been able to achieve its target. At present a large number of insurance companies in Bangladesh are certainly not commensurate with the size of the market which 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 professionally and due to the attention the Company able to earn gross premium of Tk. 838,323,190 in 2022.

The last five years gross premium income of the Company were is under:

Year	BDT in Crore
2022	83.83
2021	74.84
2020	78.00
2019	68.03
2018	43.44

### PRODUCT PERFORMANCE ANALYSIS

#### FIRE INSURANCE

The Fire insurance business constitutes 36.25% of the total portfolio of the Company. During the year, the Company has underwritten a gross premium of Tk. 303,906,797 whereas it was Tk. 283,098,685 in 2021.

#### MARINE AND MARINE HULL INSURANCE

This class of business constitutes 46.86% of the total portfolio. The Company has underwritten a gross premium of Tk. 392,870,698 in the current year as compared to Tk. 341,750,647 in the previous year of 2021.

#### MOTOR INSURANCE

This class of business constitutes 5% of the total portfolio. During the year, the Company has underwritten a gross premium of Tk. 41,846,837.

#### MISCELLANEOUS INSURANCE

The Miscellaneous class of business constitutes 11.89% of the total portfolio. During the year, the Company has underwritten a gross premium of Tk. 99,698,858.

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

Class of insurance	BDT in Crore				
	2022	2021	2020	2019	2018
Fire	30.39	28.31	36.85	32.12	23.05
Marine & Hull	39.29	34.18	29.55	19.89	16.19
Motor	4.18	3.34	4.67	6.24	5.59
Miscellaneous	9.97	9.01	6.93	9.78	8.61
<b>Total</b>	<b>83.83</b>	<b>74.84</b>	<b>78.00</b>	<b>68.03</b>	<b>53.44</b>

### POSITION OF PAID-UP CAPITAL AND 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 requires increasing the Paid up Capital size and accordingly, the Board of Directors decided to enhance the Paid up Capital gradually to meet compliance with the Insurance Development and Regulatory Authority.

The position of Paid up Capital of the Company is as under:

2009	IPO Tk. 9 crore	Tk. 150,000,000
2010	10% stock dividend	Tk. 165,000,000

## DIRECTORS' REPORT

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
2022	5% stock dividend	Tk. 520,991,970

### RESERVE FUND

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

Year	BDT in Crore
2022	36.76
2021	33.10
2020	28.66
2019	23.79
2018	18.98

### CLAIMS

Dear Shareholders, Republic Insurance Company Limited is always committed to settling insurance claims on 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 amount of claim in the quickest time. During 2022, the Company paid a net amount of Tk. 21,589,326 against claims which helped the customer to recover their losses. The last five years breakup of net claims paid is enumerated below:

Year	BDT in Crore
2022	2.16
2021	1.68
2020	4.41
2019	4.13
2018	8.99

### REINSURANCE

Dear Shareholders, the Company underwrites a large number of policies with a wide range of risks 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 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 companies.

RICL has arranged adequate protection through the reinsurance arrangement with the state-owned organization of Sadharan Bima Corporation (SBC). Republic Insurance has a full coverage insurance risk and sufficient catastrophe cover to protect against 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 2022, the Company has paid re-insurance premium to the extent of Tk. 335,094,983 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.

### EARNINGS PER SHARE (EPS)

Dear Shareholders, during the year 2022, the Company's EPS is Tk. 1.96 but it had been restated to Tk. 2.27 in 2021.

### STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

Dear Shareholders, The Board of Directors is always committed to protect the interest of our valued shareholders. 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. 168,000,252 compared to the last year, it reflects that during the year the Company could not earn expected profit due to payment of agency commission, management expenses and prior year income tax provision which affected the profitability of the Company significantly. The breakup of the funds available for distribution is as follows:

## DIRECTORS' REPORT

Particulars	BDT in Crore	
	2022	2021
Net Profit Before Tax	16.80	16.56
Less: Provision for Income Tax & Deferred Tax	6.59	4.73
Net Profit After Tax	10.21	11.82
Add: Balance brought forward of previous years retained earnings	8.61	7.47
Less: Reserve for Exceptional Losses	5.03	4.11
Less: Issuance of Bonus Shares for the 2021	2.48	3.25
Less: Cash dividend paid for the 2021	4.96	3.25
Less: General Reserve	0.75	0.75
<b>Funds available for distribution</b>	<b>6.27</b>	<b>8.61</b>

### INVESTMENT

Insurance is a kind of risk management activity primarily used as a 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. On the other hand, a good investment is also a major tool for sustaining and improving the Company's profitability. Republic Insurance Company earns investment profits at a large scale. Due to this, the Board expects to increase the investment figure of the Company. Our aim 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 breakup of the Company is furnished below:

Year	BDT in Crore
2022	64.12
2021	58.63
2020	52.72
2019	47.41
2018	43.50

### DIVIDEND

Dear Shareholders, it is a great pleasure for the Board of Directors of the Company to recommend a 10.5 percent cash dividend for each share @ Tk. 10 for the year ended December 31, 2022 subject to the approval of the Shareholders in the 23rd Annual General Meeting. The Shareholders, whose names would be recorded in the 'Depository Register' on the record date, i.e., on the May 25, 2023, shall be entitled to the dividend.

### CORPORATE SOCIAL RESPONSIBILITY (CSR)

Dear Shareholders, Republic Insurance Company

Limited recognizes the importance of CSR in the social and economic development of the Country. Through the process of implementing CSR, it focuses on the quality work environment, the well-being of the workforce and their families as well as society at large. RICL has also been participating in contributing financial support to the Fund, formed by Insurance Development and Regulatory Authority (IDRA), Bangladesh Insurance Association (BIA), Bangladesh Insurance Forum (BIF), and other Regulatory Authorities for sponsoring various state programs and for the help of victims affected by natural hazards.

### BOARD COMMITTEES

Republic Insurance Company (RICL) has several sub-committee under the Board. In the Board meeting the sub-committees are being formed. In the sub-committee there is one Chairman and rests are members. After fulfillment of the tenure of the committees, the members of the committees were replaced from within the Board members. Every sub-committee has a separate scope of working and the Board approves the terms of references. The sub-committees are independent and responsible to provide their expertise and opinion to the Board on relevant matters and the Board has the final authority to decide on the matters and opinions presented. 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 is as under:

- (a) Executive Committee
- (b) Audit Committee
- (c) Nomination & Remuneration Committee (NRC)
- (d) Claims Committee
- (e) Investment Committee

## DIRECTORS' REPORT

### DIRECTORS

#### A. SPONSOR GROUP: A

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

01. Mr. Mohd. Hanif Chowdhury
02. Mr. Mahboob Ur Rahman
03. Mr. Saber Hossain Chowdhury, MP

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

Brief Resume and other information of the Directors as per clause 1.5 (xxiv) of BSEC Corporate Governance Code on 03 June 2018 disclosed in this Annual report on pages 13, 16 & 17.

#### B. PUBLIC SHAREHOLDERS GROUP: B

Under the same provisions of the Articles of Association mentioned above, the following Directors from Group B shareholders will retire in this AGM, and being eligible they offered themselves for re-election:

01. Mrs. Rehana Chowdhury
02. Mr. Mohammad Arif, FCA, FCMA  
(Nominated by Unitech LP Gas Ltd.)

#### C. INDEPENDENT DIRECTORS

To comply with the Corporate Governance Code notification no. BSEC/CMRRCD/2006- 158/207/Admin/80, dated: June 03, 2018, issued by BSEC the Board of Republic Insurance Company Limited re-structured its Board size and appointed the required number of the following distinguished and experienced persons as Independent Directors on the Board subject to the approval of Shareholders in the 23rd AGM:

01. Mr. Md. Shafiqul Islam, FCA
02. Dr. Suborna Barua, Professor, University of Dhaka

The BSEC had given consent to their appointment as Independent Directors of the Company vide letter no. BSEC/CFD/4:32/2009/Part-iii/1100, dated: October 17, 2022. If the appointment is approved then it would be effective from July 18, 2022.

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 3 (three) Independent Directors out of 16 (sixteen) Board of Directors. In compliance with the said notification, the Board is searching for another competent and qualified person for appointment as the Independent Director of the Company.

#### REMUNERATION PAID TO DIRECTORS INCLUDING INDEPENDENT DIRECTORS

The Company has paid Tk. 1,200,000 as directors' fee to the directors including Independent Directors for attending committee and Board meetings in 2022, which has been mentioned in the company's profit and loss accounts. The Company has not paid any amount as remuneration to the directors in the year 2022.

#### CREDIT RATING

Republic Insurance Company Limited has been awarded "AA-" (pronounced AA minus) in the long term and "ST-2" in the 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 an improved equity base, financial strength, and premium solvency ratio. The rating is however; constrained by a decline in ROA and reserve solvency ratio, moderate liquidity position, dependence on investment returns, and moderate systems and processes.

#### LEVERAGING TECHNOLOGY

We follow, adopt, and update necessary technologies based on the latest changes in the industry. The IT department of RICL has successfully implemented a Wide Area Network (WAN) to connect all the Branch Offices in the country on a real-time basis, thereby providing seamless connectivity and prompt customer service. All Branches are working under IT software. Presently IT system generates almost 200 MIS reports which help the management to take decisions properly and timely, controlling business procurement through Computer Integrated Insurance System (CIIS) software and quickly accessing the underwriting documents through CIIS for departmental integration with Underwriting, Claims & Re-Insurance, and Accounts department. By this time, the Company has introduced a lot of IT facilities for our shareholders and customers.

We are trying to set up technology-based products such as Card Protection Insurance, Online Motor

Insurance, etc. in a way to settle every valid claim in a shorter period, 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 an 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 errors and irregularities are either prevented or detected within a reasonable period. A 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.

### AUDITORS

#### A. STATUTORY AUDITORS

The Company's Statutory Auditor Malek Siddiqui Wali, Chartered Accountants will retire in the 23rd Annual General Meeting. Being eligible under Section 212 of the Company's Act 1994, the Auditors have expressed their willingness to continue for the year 2023 at existing fee. The Auditors have completed their 2nd year of audit and hence are eligible for reappointment. The Board of Directors of the Company recommended approval of the appointment of Malek Siddiqui Wali, Chartered Accountants as Auditors of the Company for the year 2023 with a fee of Tk. 3,85,000.00 (including VAT & Tax) subject to the approval of Shareholders in the 23rd AGM.

#### B. COMPLIANCE AUDITOR

As per Corporate Governance Code No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 the Board in its 143rd Meeting has re-appointed T. HUSSAIN & CO., Chartered Accountant for obtaining a certificate of compliance of Corporate Governance for the year 2023 subject to approval in the 23rd Annual General Meeting (AGM).

### CORPORATE GOVERNANCE

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders such as Shareholders, Management, Customers, Suppliers, Financiers, Government and the community. Corporate governance facilities are the rules & regulations to work in the best interest of stakeholders. The Board of Directors firmly believes that the practice of good corporate governance is essential to ensuring a disciplined and sustainable national economy. The Management strictly adheres to two basic principles of Corporate Governance i.e. transparency and disclosure. Since the inception of the Company the Board of Directors has been fully committed to building a strong and empowered Management Team. This helped RICL to maintain Good Corporate Governance. Status of compliance with the conditions imposed by Bangladesh Securities and Exchange Commission's Notification No. SEC/CM-MRRCD/2006-158/ 207/Admin/80, dated June 03, 2018, along with a certificate from a practicing Chartered Accountant have been presented on page no. 55 & 58-70 in this report.

### RISK REPORTING

The corporate disclosure of relevant information is very important for effective decision-making by investors and other stakeholders. RICL maintains informative, transparent, and consistent risk reporting for its valued clients, Stakeholders, and the industry itself. It has been internationally accepted that substantial narrative reporting, including the disclosure of risk, is important to promote investor protection.

The Standard disclosure of risk reporting may include the followings:

- Presents relevant information;
- Comparable among insurers;
- Provided on a timely basis.

It is important for standard setters and policymakers to consider the reporting and disclosure in the context of investor experiences and other matters which include the following:

- Emerging trends in technology and connectivity;
- The inability of the existing model to provide investors with sufficient decision-useful information in a new economy;

## DIRECTORS' REPORT

- The lack of a measurement framework that can inform the disclosures necessary to make such measurements meaningful.

To ensure proper disclosure the Company clears the terms and conditions of each new policy issue. For new and valued Clients of RICL renders this service through surveyors reporting to the potential insured. The main principle of insurance, utmost good faith demands that both the insurer and the potential insured shall disclose the material facts to each other. If there is any excess/deductible for a particular policy, that fact should be disclosed to the insured. Moreover, the potential insured shall further provide material facts about his property, to the best of his knowledge and belief, to the insurer before underwriting the risk, including the ownership, position and value of his property, so that the insurer may inspect the insurable property to provide consistent services to the potential insured including competitive figure and necessary advice. There is a growing agreement among users, producers, and advisers that risk reporting needs to improve better risk registration is an integral part of good governance.

It is to confirm that a generic risk report serves the interest of both shareholders and stakeholders with better information. Despite the insurance industry's critical and growing role in the global allocation of risk, there is a little authentic guidance concerning the form and content of risk reporting in general due to growing terrorist activities in the world. Significant anti-money laundering and combating the financing of terrorism regimes are essential to recovering the

wholeness of markets and of the global financial framework as they help mitigate the factors that facilitate financial abuse. Bangladesh Bank and IDRA have given priority to Anti Money Laundering (AML) and Combat Terrorist Financing (CFT) issues. RICL cautiously underwrites its insurance business through all its branches; if there is any suspicious transaction, it reports to the Bangladesh Financial Intelligence Unit (BFIU) of Bangladesh Bank in the prescribed format of a Suspicious Transaction Report (STR).

### 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 well as to evaluate major investment opportunities. At the Meetings, the Chairperson of the Board allocated sufficient time for the directors to consider each agenda prudently and allowed them to freely discuss, enquire and express opinions on the items of interest so that they can fulfill their duties to the best of their abilities. 7 (seven) Meetings of the Board were held in 2022, wherein policies and major business and strategic decisions were taken. On invitation of the Board Members, the senior management person thereof attended Board Meetings to participate in discussions.

### COST OF SERVICE AND PROFIT MARGIN

The overall cost of services increased during the year. The profit margin of the Company during the year is as under:

Particulars	BDT in Crore
Net Sales/ Turnover/ Receipts/Premium earned	83.83
Cost of Sales /Re-insurance premium ceded	33.51
Gross Profit /Net premium earned	50.32
Other operating income/Balance of fund account at the beginning of the year	22.70
Selling & Marketing expenses/Claims under policies less re-insurance/Agency commission/Expenses of management/ Balance of fund account at the end of the year	57.00
Other operating expenses/insurance stamps consumed	0.17
Profit from operation	15.85
Financial expenses/Expenses of management/Expenses for WPPF	2.90
Any other business income	3.85
Profit before tax	16.80

## DIRECTORS' REPORT

### RELATED PARTY TRANSACTIONS

As per International Accounting Standard (IAS) 24 "Related Party Disclosures" parties are considered to be related if one of the parties can 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: 37.00.

### ENTITLEMENT OF DIVIDEND

Shareholders whose names shall appear in the Members Register of the Company or the Depository Register of CDBL on the 'Record Date' of the respective year's AGM will receive the 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 is being 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 dividends shall be settled as per instructions of the BSEC or other regulatory authority from time to time.

### DECLARATION ON THE FINANCIAL STATEMENTS

The Directors are responsible for the governance of the Company and, as part of the preparation and presentation of the financial statements for the year ended December 31, 2022, of Republic Insurance Company Limited, the Directors confirm, to the best of their knowledge that:

- (i) The financial statements, prepared by the Management of the Company, which were duly scrutinized by the external auditors, 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 the preparation of the Financial Statements and the accounting estimates are based on reasonable and prudent judgments.
- (iv) The International Accounting Standards (IAS) and/or IFRS as applicable in Bangladesh, have been followed in the 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 is no doubt, whatsoever, upon the Company's ability to continue as a going concern.
- (vii) 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.
- (viii) 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.
- (ix) 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.
- (x) The declaration of the CEO & CFO of the Board of Directors is shown of page 54 of 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:

## DIRECTORS' REPORT

- (a) 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;
- (b) All transactions with related parties have been made on a commercial basis and the details of related parties and transactions have been disclosed under note 37 of the financial statements;
- (c) Appropriate accounting policies have been followed in the preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- (d) The financial statements are prepared in accordance with IAS/IFRS and any departure there from has been adequately disclosed;
- (e) The Company's IPO was made in 2008.
- (f) From inception, the financial results of the Company have continued to grow as reflected in the yearly financial statements of the Company;
- (g) No extraordinary gain or loss has been recognized in the financial statements of the Company;
- (h) No significant variations have occurred between the quarterly and final financial results of the Company during 2022;
- (i) During the year, the Company has paid a total amount of Tk. 1,200,000 as Board meeting attendance fees;
- (j) All significant deviations from the previous year in the operating results of the Company have been highlighted and the reasons thereof have been explained;
- (k) The key operating and financial data for the last five years have been disclosed on page# 51 of this report;
- (l) The Company has proposed a cash dividend for the year 2022;
- (m) During 2022, 7 (seven) Board Meetings were held, which met the regulatory requirements. The attendance records of the Directors are shown on page 53 of this report;
- (n) 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;
- (o) No bonus or stock dividend has been declared or an interim dividend declared during the year;
- (p) A statement of 'Management Discussion and Analysis' has been presented on pages 48-50 in this report;
- (q) The Shareholding pattern of the Company as on December 31, 2022, is shown on page 71 of this report; and
- (r) 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 you that the Financial Statements containing the audited accounts for the year ended December 31, 2022, conform 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 a Code of Conduct Policy 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 on pages 81-84 in this report.

### DIVIDEND DISTRIBUTION POLICY

The dividend policy outlines the amount of cash that will be distributed to the Shareholders every year as dividend out of 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 Board of Directors of the Company has approved the 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 disclosed on pages 85-87 in this report.

## RISKS AND CONCERNS

Without risk, no business can be presumed whether it is small or large. The insurance business deals with the risks of other business organizations and also the personal properties of individuals. As a non-life insurer, RICL deals with different types and numbers of risks, i.e., underwriting risks of Fire, Marine cargo and Hull, Motor vehicle and Miscellaneous risks like burglary, personal accident policy, engineering, crop insurance, etc. High risks under different scenarios are identified, assessed, and monitored through regular analysis by our specialist risk assessment team including professionals of insurance as well as engineers. Further, the main strategic risks identified by the company and the high-valued clientele are regularly monitored by the Senior Management including any mitigating actions. Insurance risks are classified as strategic risks, underwriting risks, reinsurance risks, reserving risks, investment risks, liquidity risks, and socio-politico-economic risks. Republic Insurance monitors those risks continuously and takes appropriate measures in dealing with risks of high magnitude.

## RISK MANAGEMENT AND MITIGATION METHODOLOGY

### RISK MANAGEMENT

An organization needs to analyze and comprehend critically the risks to which it is exposed and the possible quantum of loss associated with such risks. After obtaining a clear understanding of the risk and consequences thereof, the management of an organization can make decisions about the acceptability or otherwise in relation to those exposures. Risk management thus enables the management to effectively deal with uncertainty and its associated risks along with the opportunity for capacity building. The fundamental objective of risk management is the preservation of assets and earning power from potential loss or destruction.

The role of risk management in the operation of an insurance company, especially, in the case of non-life insurance organizations, is of immense importance. This is because enterprises prefer to transfer their risk to the insurer as a transfer mechanism which is part of their overall risk management and the insurer has to manage the acquired risks in a competent way to operate their business with profitability even after adequately settling claims to retain customer confidence as a trusted insurer. There lies the operational challenge for risk management on the part of a non-life insurance company, like Republic Insurance Company.

## BUSINESS RISK

RICL controls its business risks arising from different types of underwriting policies through underwriting professionals at the branch level with the help of guidelines of IDRA. The Company has decentralized its underwriting functions and delegated powers to its zonal offices and branches for rendering prompt, efficient, and effective services to the clients. Risks involved with policies are assessed by underwriting officers of the respective branch for underwriting policies up to a specific limit of the sum insured, beyond which risk assessment of different policies is done by the internal Risk Inspection Team.

The Company mainly concentrated on the Marine & Hull insurance business in FY 2022 and gross premium received business represented 46.86% of total gross premium. Another significant business sector is the Fire insurance business which represented 36.25% of the total gross premiums while Motor & Miscellaneous insurance held only 5% & 11.89% of the total gross premium respectively.

## INSURANCE RISK

RICL reduces this risk with the help of its experienced professionals who undertakes pre-insurance surveys of large and complicated risk. Risk management ensures a proper understanding of the right level of risk acceptance, risk control and risk-related expenditure. RICL also takes reinsurance coverage from SBC.

## HUMAN RESOURCE RISK

We know that the insurance industry of Bangladesh needs to transform. Lack of frequent training from developed nations' results in an information gap and under development of the sector.

To retain its position as the market leader, RICL needs to recruit employees with relevant qualifications. Not only that, the company needs to arrange proper training inside and outside the country for its staff force. It will help the company to cope with the latest business trend in the industry and also enable the corporation to introduce new products. All of these are expected to boost the business of the company.

## MARKET RISK

The insurance sector in Bangladesh has immense potential. The sector is likely to flourish as the country is heading towards a middle-income country. Govt. is planning to bring more people under the

## DIRECTORS' REPORT

insurance facility. For all these reasons, the industry is very lucrative. The number of insurance companies is increasing day by day. Competition amongst the insurance companies is increasing day by day which may badly affect the profitability of the company.

Despite increased competition, RICL enables it to maintain positive revenue growth. Also, high entry and exit barriers in the industry provide comfort to the existing companies in the market against the threat of new entrants.

### REGULATORY RISK

Previously, insurance companies were regulated by the insurance act of 1938, this act was replaced by 'Insurance Act-2010'. The preceding act was introduced to regulate the insurance industry more strictly, protect the policy holders' interest and establish fair and healthy competition within the industry. The government also established Insurance Development Regulatory Authority (IDRA) as a regulatory body of the industry. IDRA closely monitors the industry and proposes draft regulations to design a more effective regulatory system. At present regulatory requirements has been introduced to make the market more reliable and uniform such as regulation on claim settlement to protect the right of policy holder and insurance companies are required to set up a special fund named as "Policyholders' Protection Fund"; For further enhancing the solvency position, paid up capital for non-life insurance companies have been raised to BDT 17,215 Crore. As per the circular issued by IDRA, agents will be paid a commission at a maximum rate of 15%. RICL has complied with the Rules & Regulations, Circulars and directives currently introduced by IDRA.

### INTEREST RISK

The Volatility of the money market has great influence over the interest rate structure of funds held by RICL. Income from FDR accounts is a significant portion of total income. Income from fixed and other deposits may fall due to reduction of interest rate of commercial banks.

To ease up interest rate exposure the company can invest in mutual funds to secure their revenue and also generate capital gains. However, this source has also its own drawback. If the overall capital market position falls, then the performance of the mutual fund will also decline. Thus, the Company should concentrate in its core business.

### INTERNAL CONTROL RISK

Internal control risk arises from non-compliance with rules and regulations, which ultimately puts a negative impact on overall business performance.

The internal control system of the company has been designed to provide the directors with reasonable assurance that assets are safeguarded against unauthorized use. The company has placed a rigorous internal control system. However, maintaining an effective internal control system is a continuous process. Therefore, the management should routinely check whether the internal control system is adequate and relevant to the present operational process of the company, failure to which could disrupt the operation and hamper the overall profitability.

### LIQUIDITY RISK

Liquidity is the risk that, a firm though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The major liquidity risk confronting the company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of investment securities. Liquidity risk also occurs more generally in relation to the ability to buy and sell investments. This is a function of the size of RICL holding relative to the availability of counter parties willing to buy or sell these holdings at any given time. RICL sets a limit on the minimum portion of maturing funds available to meet such calls to cover claims at unexpected levels of demand.

### RISK MITIGATION AND TRANSFER

Physical loss preventive measures include compliance with several safety rules guided by the Factories Act, Building Code, etc. Installation of proper fire-fighting equipment, checking performance of that equipment and applying improvements wherever required, conducting fire drills at regular intervals with a proper record, Maintenance of clean, wholesome, and apparently risk-free environment for the workers as well as for the overall workplace.

Risk financing tools include decisions regarding partial risk retention with acceptance limit and spreading /transfer of the remaining portion of the risk.

An insurer must take different steps to lessen the

## DIRECTORS' REPORT

risk associated with its business. These include the purchase of adequate reinsurance protection, securitization of a portion of its asset or liability portfolio, hedging of financial guarantees using derivative instruments, use of product design to pass on the risk to policyholders as well for active risk management to the extent that these measures effectively reduce a company's risk. Appropriate attention and recognition should be given to the calculation of a company's required capital. The difficulty lies in properly assessing the actual degree of risk with regard to short-term and long-term economic, technical, and regulatory changes that have been transferred from the insurance company in these arrangements.

### FUTURE PROSPECT

It is a matter of optimism that the 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 the prohibition of undertaking risk with a premium rate lower than the tariff rate and stopping the tendency of issuing insurance documents without receiving a 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 to increase our gross premium income substantially by maintaining the rules and regulations of IDRA and hoping to generate higher returns for the shareholders' against their investment in the years to come.

### CONCLUSION

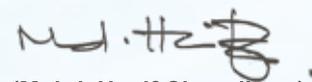
The Board of Directors of the Company takes the opportunity to express gratitude to the shareholders, valued clients, patrons, and well-wishers for their appreciation and continued support and co-operation. The Company is indebted to its clients, shareholders, the Government Authorities, particularly the Ministry of Finance, the Ministry of Commerce, the Insurance Development & Regulatory Authority, Registrar of Joint Stock Companies & Firms, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Ltd., Chattogram 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 continued support, cooperation, and valuable advice all the stakeholders of the Company in the years to come.

May Allah bless us all

Allah Hafez

On behalf of the Board of Directors



**(Mohd. Hanif Chowdhury)**  
Chairman