



Directors Report

DIRECTORS' REPORT

HONOURABLE SHAREHOLDERS,

As-salmu Alaikum

It is my immense pleasure to welcome you all to the 23rd Annual General Meeting of Asia Pacific General Insurance Company Ltd. I am glad to present our valued shareholders and other stakeholders with the Company's Annual Report for the year 2022. The report primarily comprehends the Auditors' Report, Directors' Report, Management Analysis of the Business, and the Company's Audited Financial Statements. This report's overall assessment is based on the company's financial performance. Furthermore, in order to promote openness and good governance standards, I on behalf of the Board of Directors would want to clarify and disclose some matters that they believe are relevant and significant. We believe that the report will provide a clear picture of the company's performance and further expansion in the face of fierce competition in the insurance industry.

GLOBAL ECONOMY

While global economy was recovering strongly from the COVID-19 pandemic, the war in Ukraine posed a setback to the ongoing recovery. A rise in the global commodity prices and sluggish economic activities by war induced supply chain disruption is being observed. International organisations revised their forecasts for economic growth prospects and inflations. As per the United Nations (UN) publication 'World Economic Situation and Prospect 2022', the global economy grew by 5.5 percent in 2021, the highest growth rate since 1976, after contracting 3.4 percent in 2020. Global economy is expected to grow by 4.0 percent in 2022 and 3.5 percent in 2023. In the World Bank's Global Economic Prospect, January 2022, the global economic growth is projected 4.1 and 3.2 percent in 2022 and 2023 respectively, while growth was estimated 5.5 percent in 2021.

Sluggish growth rates between advanced economies and emerging and developing economies will be divergent. Growth in advanced economies is expected to decline from 5 percent in 2021 to 3.8 percent in 2022 and 2.3 percent in 2023. This growth rate will be sufficient to restore output and investment to their pre-pandemic trend in these

economies. In emerging and developing economies, however, growth is expected to drop from 6.3 percent in 2021 to 4.6 percent in 2022 and 4.4 percent in 2023. The report stressed that by 2023, all advanced economies will have achieved a full output recovery; yet output in emerging and developing economies will remain 4 percent below its pre-pandemic trend. For many vulnerable economies, the setback is even larger: output of fragile and conflict-affected economies will be 7.5 percent below its pre-pandemic trend, and output of small island states will be 8.5 percent below.

In the World Economic Outlook (WEO) April 2022, International Monetary Fund (IMF) projected that the global economy will grow by 3.6 percent both in 2022 and 2023. The projections for 2022 and 2023 are 0.8 and 0.2 percentage points lower than in the January 2022 WEO update. Global growth is forecast to decline to about 3.3 percent over the medium term beyond 2023.

BANGLADESH ECONOMY

Bangladesh economy was growing consistently high over a decade crossing 7.0 percent milestone in FY 2015-16 and 8.0 percent milestone in FY 2018-19. However, the COVID-19 pandemic reduced the growth rate to 3.45 percent in FY 2019-20. The economy grew by 6.94 percent in FY 2020-21. According to the provisional estimates of BBS, the GDP growth stood at 7.25 percent in FY 2021-22, 0.05 percentage point higher than the target rate and 0.31 percentage point higher than the previous fiscal year. According to provisional estimate of BBS, per capita GDP and per capita national income stood respectively at US\$ 2,723 and US\$ 2,824 in FY 2021-22 compared to US\$ 2,462 and US\$ 2,591 respectively in FY 2020-21. The consumption increased to 78.44 percent of GDP in FY 2021- 22 from 74.66 percent in FY 2020-21. The gross investment stood at 31.68 percent of GDP in FY 2021-22, where public investment and private investment accounted for 7.62 percent and 24.06 percent of GDP respectively. Medium-term forecasts for GDP growth rates are 7.5 percent in FY 2022-23, 7.8 percent in FY 2023-24 and 8.0 percent in FY 2024-25.

inflation in FY 2020-21 stood at 5.56 percent, which is 0.09 percentage point lower than FY 2019-20. Of which food and non-food inflation accounted for 5.73 percent and 5.29 percent respectively. Like all other countries of

the world, an upward trend of price level is being observed in Bangladesh as the economic damages created by COVID-19 pandemic which is triggered by war in Ukraine. The point-to-point inflation in March 2022, stood at 6.22 percent, compared to the inflation rate 5.47 percent in March 2021.

Although global trade has turned around in 2021 after the effects of COVID-19 pandemic, the Russia-Ukraine conflict has been showing significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability. At the same time, the prices of petroleum along with commodity prices are rising, which is also creating inflationary pressures on the economies.

Bangladesh economy now faces considerable challenges with global economic uncertainty, rising inflationary pressure, energy shortages, a balance-of-payments deficit, and a revenue shortfall. Rising commodity prices and a surge in imports in the second half of FY22 resulted in a Balance of Payments (BoP) deficit and accelerating inflation.

Real GDP growth is expected to slow in FY23 as import suppression measures disrupt economic activity. Growth is expected to accelerate over the medium term, as inflationary pressure eases, external conditions improve, and reform implementation gains momentum. Over the medium term, the balance of payments is projected to return to surplus as import growth moderates and remittance inflows rise with a high outflow of workers to the gulf region. To achieve its vision of attaining upper middle-income status by 2031, Bangladesh needs to create jobs through a competitive business environment, increase human capital and build a skilled labor force, build efficient infrastructure, and establish a policy environment that attracts private investment. Development priorities include diversifying exports beyond the RMG sector; deepening the financial sector; making urbanization more sustainable and strengthening public institutions, including fiscal reforms to generate more domestic revenue for development.

BANGLADESH INSURANCE INDUSTRY OVERVIEW

Bangladesh insurance market is in an upward trend despite the low penetration rate. It has potentialities to

growth and advancement as opined by the insurance expert from home and abroad. The Economy of Bangladesh has rapidly been shifting from 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 has a lot to play if it is promoted properly.

In 2010, the government enacted two acts and set up the Insurance Development and Regulatory Authority (IDRA) to develop and regulate the sector. The industry now has 81 companies — 35 in life insurance and 46 in non-life.

In spite of the stable growth rate (around 4%) of the Bangladesh insurance industry in the last few years, the expansion of the insurance business, particularly the non-life sector, has experienced a downward trend in the year 2022 because of poor investment and slowdown of economic activities led by the international political unrest and Covid-19 outbreak. The experts have the fear of what the industry was likely to have the similar experience in 2023.

According to the statistics of Bangladesh Insurance Association (BIA), the total premium income of private sector life insurance companies rose from Tk. 62,429 million in 2021 to Tk. 66,879 million in 2022. The gross premium income of non-life private sector insurance companies increased from Tk. 21,038 million in 2021 to Tk. 22,670 million in 2022 with a growth rate of 7.76%. In Bangladesh, the marine insurance is considered to be the lifeguard for the non-life insurance business. Marine insurance completely depends on imports which has continuously being disturbed by the economic turmoil but the market is expected to improve in 2023.

Insurance still appears to be a negative-demand product in Bangladesh as the majority people and businesses tend to be reluctant in paying non-mandatory sums for insurance coverage, while the industry has yet to be strategic or innovative enough to change the behaviour. According to the IDRA, less than one in every 17 people hold life insurance policies in the country. In terms of insuring assets, most businesses are reluctant until insurance coverage is mandatory to continue working with banks, ports and state authorities and this is why insurance is only around 0.5% of the country's GDP. From an industry perspective, the backwardness of

Bangladesh has its bright side too. With the economic development of the country, the life insurance market has headroom to grow by at least 17 times through covering every citizen, while encouraging people to spend more of their annual income for a better insurance coverage would only boost the industry.

In the non-life segment, the headroom is even bigger if insurers can effectively offer and communicate the financial risk protection proposition related to assets, health, crops and so many things, while they also will need some policy pushes that gradually make more and more types of insurance a must. For instance, natural calamities hitting Bangladesh often drastically hurt farmers' financial lives and affordable crop insurance can cover the risks.

With the improved life expectancy and risking out of pocket spending of patients, a large number of people go broke for medical treatment every year and some health insurance premiums can help them survive both from the health perspective and financially.

More than 56 lakh vehicles are registered with the Bangladesh Road Transport Authority and after the ineffective third-party insurance being repealed a few years back, no insurance is mandatory against vehicles. Stolen or accident-damage — nothing would remain as headaches for vehicle owners if automobile insurance coverage would made mandatory. Hundreds of thousands of real-estate properties can also be under insurance.

A unified messaging platform (UMP), started by the IDRA, developed and operated by a vendor firm, made every single insurance transaction traceable, transparent in 2019 and analysis of the aggregate data is helping everyone. The best part of technology adoption is that much-needed trust is being strongly built among people due to the transparency brought by it.

FINANCIAL REVIEW:

During the year 2022, our gross premium income has increased to BDT 604.49 million in 2022 from BDT 523.98 million in 2021 or increased by 15.37% resultant enhanced performance in acquiring new business portfolio despite the economic turmoil caused by COVID-19 outbreak and the Russia-Ukraine conflict, which bring about an

increase also in Net premium income by 11.98% to BDT 338.45 million from BDT 302.24 over the prior year, as the Company adjusted its reinsurance premium to assume more risk on the class wise business portfolio. Concerning revenue by class of business, our Fire portfolio is the largest contributor accounting for 43% of total GWP. Our Marine portfolio accounts for 41% of total GWP with Motor and Miscellaneous contributing the remaining 16%. Our Claim payment for the year 2022 was BDT 155.28 million compared to BDT 120.95 million in 2021. Total Assets now stand at over BDT. 1474.11 million over the year endorsing the Company's financial strength and stability. The Gross profit margin for the year 2022 was 60.74% while the Net Profit Margin was 19.56%. The key operating and financial data at least 5 preceeding years have been summarized and presented in page 68.

SEGMENT WISE PERFORMANCE:

The Company's primary concentration remains on the retail sector, where it excels in distribution and claims management. The company's underwriting operation covers Fire, Marine, Motor, and Miscellaneous insurances, in accordance with industry standards. Fire and Marine Insurance contribute the most to total GWP, contributing for 43 percent and 41 percent of total premium earned, respectively.

FIRE INSURANCE BUSINESS:

In the non-life insurance sector, Fire Insurance is a high-risk business. Due to the higher sum insured and risk, the maximum amount of premium is ceded for reinsurance protection, making it impossible to achieve an underwriting profit from the fire insurance. Fire Insurance total written premiums have increased by 23.46 percent from BDT 208.71 million in 2021 to BDT 257.68 million in 2022. The net premium earned from the Fire Insurance business was BDT 130.88 million after reinsurance premiums were ceded. The Company's fire insurance operation resulted in an underwriting loss of BDT 6.49 million as opposed to underwriting profit of Tk. 3.70 million in the previous year. Fire insurance is the highest contributing the 43% of total gross underwritten premium.

MARINE & HULL INSURANCE BUSINESS:

Marine Insurance is contributing 41% of the total Premium and be the 2nd highest contributor to

revenues in 2022. The gross written premium income has increased by 39.35% from Marine & Hull insurance from BDT 209.94 million in 2021 to BDT 249.29 million in 2022. After ceding re-insurance premium, the net premium income from Marine insurance business stood at BDT 166.97 million. The Company earned an underwriting profit of BDT 98.71 million in 2022.

MOTOR INSURANCE BUSINESS:

The gross written premium income in Motor Insurance Business decreased by 5.24 million from BDT 36.83 million in 2021 to BDT 31.59 million in 2022 due to the fact that no Motor Insurance is mandatory against vehicle in the Road Transportation Act - 2018. The net premium income stood at BDT 29.14 million. The Company earned an underwriting profit from motor insurance business for BDT 12.76 million. Motor business contributes 5.22% of the total underwriting portfolio of the Company.

MISCELLANEOUS INSURANCE BUSINESS:

In the year 2022, the Company's Miscellaneous Insurance Business decreased by 3.75%. The gross written premium of Miscellaneous Insurance business for BDT 65.92 million while it was BDT 68.49 million in 2021. The net premium income from Miscellaneous Insurance business stood at BDT 11.46 million after ceding reinsurance premium. Miscellaneous business characterizes 11% of the total underwriting portfolio of the Company.

UNDERWRITING RESULTS:

Traditionally, underwriting is the heart of Insurance business. The quality of underwriting has a direct impact on the Company's ability to grow. The Company's underwriting practice consists of a thorough review, smart financial modeling, and precise risk pricing that protects the Company's interests while also producing value for the general public. Total underwriting profit decreased by 17.73% from BDT 128.79 million to BDT 105.95 million due to Increase in payment of Agency Commission, claim settlement and Re-Insurance costs.

INVESTMENTS AND ITS INCOME:

Total investment of the Company comprising of Fixed Deposits (FD), Shares & Bonds stood at BDT 974.28 million in 2022 against BDT 927.46 million in 2021. Out of the total investment, about 73% was concentrated

in Fixed Deposit (F.D) with various Commercial Banks & NBFIs for BDT 754.04 million and remaining 27% includes investment in Shares & Bond for BDT 217.24 million in 2022. Investment in shares had been shown at fair value after netting off with Fluctuation Reserve Fund against the reduction of share price compared to consideration value of the shares.

At the year end of 2022, Investment income decreased by BDT 5.33 million from BDT. 56.61 million in 2021 to BDT. 51.28 million in 2022. This has happened because of reduced income derived from the investment in the Capital Market.

TOTAL ASSETS:

The Net Assets of the Company stood at BDT 954.08 million in 2022, while it was BDT 930.15 in 2021. Net Asset Value per Share (NAV) is BDT 22.53 in 2022 as against BDT 21.96 in 2021.

TOTAL LIABILITIES:

The Net liabilities of the Company stood at BDT 520.03 million in 2022 from Tk. 491.83 million in 2021. The Shareholders' Equity is BDT 954.07 in 2022, while it was 930.14 in 2021.

PROPOSED DIVIDEND:

Considering the profit of the Company, The Board of Directors has been pleased to recommend for declaration of 15% (Fifteen) Cash dividend to the Shareholders for an amount of BDT 6,35,25,000/- only subject to approval of the 23rd Annual General Meeting (AGM).

CREDIT RATING

Asia Pacific General Insurance Company Ltd. has been awarded as "AA+" (pronounced as Double A plus) for long term which indicates very strong financial capability to pay claims & long term obligation and "ST-1" for short term which means strong capacity to meet up short term obligation. The Credit rating of the Company has been done by the Alpha Credit Rating Limited. The Company in its evaluation of credit rating report was also placed with "stable outlook".

INFORMATION TECHNOLOGY

Insurance companies have come to rely on information and communication technology (ICT) to ensure seamless operations and effective service

delivery. The ultimate goal is to employ available technology to innovate business processes and to assist end-users in meeting the Company's rising business needs. The Company has taken steps to improve current technology in order to significantly enhance and secure the IT infrastructure in the year 2022. In addition, integrated business operation software has been installed at the Head Office and Branches in order to provide rapid customer support and run day-to-day operations efficiently and seamlessly. The management could now keep track of all of the branches' operations in real time. A new API has been in operation which seamlessly connects our software system with IDRA allowing a real time assessment of policies made and payments done along with other information. Furthermore, we intend to make greater use of information and communication technologies, so that our valued customers may get the information and papers they need without having to come into the office, and so that they can communicate through the technology.

RISK MITIGATION

The Board of the APGICL, with the assistance of the Management, has set out the overall approach of the Company's risk management activities. The major areas of risk that the activities of the Company are exposed to are financial risks, strategy risks, insurance risks, operational risks and legal and compliance risks. These are continually being updated and adapted by the Company under guidance of the Board of Directors. The effectiveness of these systems is reviewed by Internal Auditor and Statutory Auditor and the Board of Directors. The Management of the Company made risk assessment on business and made risk mitigation plan to eliminate risks. The Audit Committee supports the Board in monitoring activities of the management and deals with risk management issues. See page: 77

RELATED PARTY TRANSACTION

All related party transactions were in the ordinary course of business and on an arm's length basis. During the year the Company did not enter into any transaction or arrangement with related parties, which were material or have a potential conflict with the interest of the Company at large. As per Bangladesh Accounting Standard (BAS) – 24, the details of Related Party Transactions entered into by the Company are included in the notes to Financial

Statements, notes no. 36 (Page128).

COMPANY'S VEHICLE : FUEL AND MAINTENANCE

In Compliance with the Direction No.-05 of Circular No.: IDRA/GAD/1003/2011-554, dated: 24.04.2014 by Insurance Development & Regulatory Authority (IDRA), the Company's total expenses relating to fuel and maintenance of its vehicle in 2022 was BDT 3.70 million. The total number of Vehicle was 15 of which total cost was BDT 26.74 million comprising of 11 private cars, 1 micro bus and 3 motor cycles , and the written down value as at December 31, 2022 was BDT 6.01 million.

COMPLIANCE REPORT (UNDER SECTION 184 OF THE COMPANIES ACT, 1994)

- i) The financial statements prepared by the Management of the Company present fair view of its state of affairs, the result of its operation, cash flows and changes in equity.
- ii) Proper books of Account of the Company have been maintained.
- iii) Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgment.
- iv) International Accounting Standard (IAS) as applicable in Bangladesh has been followed in preparation of Financial Statements and any departure therefore also adequately disclosed.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) There are no significant doubts upon the Company's ability to continue as a going concern.
- vii) There are no significant deviations from last year in operating result of the Company.
- viii) The operating and financial data of preceding five years have been provided.
- ix) During the year ended December 31, 2022 the Board of Directors held 04 meeting and the Director serving on the Board attended in aggregate 85% of the total number of meetings.
- x) During the year the company is rated by Alpha Credit Rating Ltd. (Alpha Rating) and graded as category of "AA+" for long term and "ST-1" for short term effective up to August 27, 2023.
- xi) At December 31, 2022 the pattern of shareholding are as under:

- a) Shareholdings of Parent/Subsidiary/Associate Companies and other related parties – Nil
- b) Shareholdings of CEO, Company Secretary, CFO and Head of Internal Audit and their Spouse and minor children: - Nil
- xii) There was no extra ordinary activity refereeing to gain or loss during the year 2022.
- xiii) There was no significant variance between the Quarterly Financial performances and Annual Financial Statements.
- xiv) Minority shareholders have been protected from abusive action.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Status for compliance with the conditions imposed by Bangladesh Securities & Exchange Commission's notification No. SEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 has been presented in Page 47

COMPOSITION OF THE BOARD

The Board of the Company is comprised of 17 members as on 31 December 2022, including the CEO as ex officio member. The Board is well structured with a Chairman and a Vice Chairman, who are elected from the Board Members. The Chairman, the Vice Chairman and other 12 Members are Non-Executive Directors and only the CEO is an Executive Director. There are also 2 Independent Directors in the Board. The Chairman and CEO of the Company are different bodies with separate functions and responsibilities. All the Directors encompass with a range of talents, skills and expertise to provide prudent guidance in respect to the operations of the Company.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Board of Directors constituted a five member Nomination and Remuneration Committee (NRC) as a sub-committee of the Board of the Company to comply with the BSEC notification dated 03 June 2018. The Committee shall assist the Board in formulation of the nomination criteria or policy for determining qualification, positive attributes, experiences and independence of Directors and top level executives,

SHARE HOLDING POSITION

Summarized list of Shareholding position of Sponsors, Directors & General Public of the Company

as on December, 31, 2022 is shown in Page 65

MINORITY INTEREST

Asia Pacific General Insurance Company Limited believes that good Corporate Governance involves open and trusting cooperation between all stakeholders involved in the Company, including the owners of the Company – the Shareholders. The Board of Directors is committed to ensuring the highest standards of governance designed to protect the interests of all stakeholders, including the rights of its minority shareholders while promoting integrity, transparency, and accountability. The Board of Directors shall always act in a manner that will be in the best interest of the Company.

BOARD MEETING AND ATTENDANCE

During the year 2022, 04 (four) Board meetings were held. The attendance of Directors is shown in the page 62 in the this report.

DIRECTORS' REMUNERATION

Except the CEO, none of the Directors hold any office of profit of the Company. The Directors do not get any remuneration; they only get fees for attending Board/ Committee meetings. The maximum fees payable to Director is BDT 8,000/- for attending each meeting.

RETIRED AND RE-ELECTION OF DIRECTORS

In accordance with the provision of Section 113 of the Articles of Association of the Company and relevant section of the Company's Act 1994, the following Sponsor Subscriber Shareholder Directors shall retire in the 23rd Annual General Meeting and they being eligible, offer themselves for re-election as per provision of the Article – 115 of the Company.

01. Mr. Gazi A.Z.M Shamim
02. Mr. Mohd. Shahjahan Miah
03. Mr. Golam Kabir Chowdhury
04. Mr. Abdul Haque
05. Mr. Shah Md. Tawsif Wahid Anabil

APPOINTMENT OF INDEPENDENT DIRECTORS

Mr M. Jalalul Hai will complete his first term as Independent Director of the Company on 23/08/2023. Subsequently, the Board has recommended to re-appoint Mr Jalalul Hai as Independent Director for second term for a period of next 3 years subject to approval of the Shareholders at the 23rd Annual General Meeting in compliance of

the Corporate Governance Code issued by BSEC dated 03 June 2018.

EXTERNAL AUDITOR APPOINTMENT

The auditor M/s. Zoha Zaman Kabir Rashid & Co., Chartered Accountants is to retire as Auditor of the Company as per provision of law and they have performed as statutory Auditor for the period of three consecutive years, In compliance of the BSEC Notification No. BSEC/CMRRCD/2006-158/208/ Admin/81, dated 20 June 2018, they could not perform as statutory Auditor for this term. In this regard the Board recommended to appoint M/S Mahfel Haq & Co. Chartered Accountants as Statutory Auditor of the Company for the year 2023 with remuneration as to approve in the 23rd Annual General Meeting. On the other hand, M/S Malek Siddiqui Wali, Chartered Accountants was the Compliance Auditor for the year 2022. They also submitted the Expression of Interest (EOI) to re-appoint as Compliance Auditor for the year 2023 with remuneration as to approve in the 23rd Annual General Meeting.

FUTURE OUTLOOK

We will continue to focus on our strategic goals to ensure that the Company meets the needs of our Customers and generate sustainable and stable returns for our shareholders in the long run. We will continue to focus on appropriate risk selection, best management practice and to balance our entrepreneurial approach to business opportunities whilst protecting profitability.

We are progressing in our digital platform and transformation efforts in order to provide new and effective services to our stakeholders. This will also aid in the development of a better client experience, operational efficiencies, and cost control, all of which should result in increased underwriting profit.

ACKNOWLEDGEMENT

We express our sincere appreciation and gratitude to Insurance Development & Regulatory Authority (IDRA), Bangladesh Securities & Exchange Commission (BSEC), Registrar of Joint Stock Companies & Firms (RJSC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Central Depository of Bangladesh Ltd. (CDBL) for their gracious co-operation and continued support. We

would like to put on record our appreciation and gratefulness for the co-operation and services rendered by the Sadharan Bima Corporation.

We also express our special thanks & heartfelt felicitation to our respected shareholders, valued clients, patrons, well-wishers and external auditors for their support, assistance and patronage to facilitate our path towards the glory achieved so far by the Company.

On behalf of the Board of Directors



Aftab ul Islam, FCA
Chairman