



**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
PARAMOUNT INSURANCE COMPANY LIMITED**

Opinion

We have audited the financial statements of **Paramount Insurance Company Limited** which comprise the Statement of Financial Position as at 31 December, 2020 and the Statement of Profit or Loss & Other Comprehensive Income, Statement of Profit or Loss Appropriation Account, Statement of Changes in Shareholders' Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Insurance Act 2010, the Insurance Rules 1958, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





| Risk | Our response to the risk |
|---|--|
| Premium Income | |
| <p>Premium income is the most significant item in the statement of profit or loss and profit or loss appropriation account. The Company has reported gross premium of Taka 393,714,728 for the ended 31 December 2020 (Taka 291,823,034 for the year ended 31 December 2019)</p> <p>Gross general insurance premiums comprise the total premium received during the accounting period of coverage for which insurance policy has been issued by contracts with Paramount Insurance Company Limited.</p> <p>Given the important nature, connections to other items to the financial statements and sensitivity of the item we believe this area pose high level of risk.</p> | <p>With respect to Premium income in respect of various types of insurance we carried out the following procedures:</p> <ul style="list-style-type: none"> • The design and operating effectiveness of key controls around premium income recognition process. • Carried out analytical procedures and recalculated premium income for the period. • Carried out cut-off testing to ensure unearned premium income has not been included in the premium income. • On a sample basis reviewed policy to ensure appropriate policy stamp was affixed to the contract and the same has been reflected in the premium register. • Ensured on a sample basis that the premium income was being deposited in the designated bank account. • Tested on a sample basis to see that appropriate VAT was being collected and deposited to bank through Treasury Chalan. • For a sample of insurance contracts tested to see if appropriate level of re-insurance was done and whether that re-insurance premium was deducted from the gross premium. • Applying specialist judgment ensured if there is any impairment of the reinsurer. • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines. |
| <p>Details of Premium Income have been included in Note 08 to the Financial Statements.</p> | |





| Risk | Our response to the risk |
|---|---|
| <p>Estimated liability in respect of outstanding claims whether due or intimated and claim payment.</p> <p>This amount represents the claim due or intimated from the insured and involves significant judgment and risk of understatement. As at 31 December 2020 the reported balance under the head of estimated liability in respect of outstanding claims whether due or intimated was Taka 21,465,845 and Claims paid in the year ended 31 December 2020 was Taka 16,975,887 (Outstanding claims as at 31 December 2019 was Taka 22,936,125 and claims paid for the year ended 31 December 2019 was Taka 15,285,408)</p> <p>This provision has a direct impact on the profitability and liquidity of the Company which makes it an important item for key stakeholders. Considering its impact on multiple line items on the financial statements, its sensitivity and importance to key stakeholders, we believe this area possesses high level of risk.</p> <p>This account represents the claim due or intimated from the insured and involves significant management judgment and risk of understatement. In extreme scenario this item may have going concern implications for the company.</p> | <p>We tested the design and operating effectiveness of controls around the due and intimated claim recording process.</p> <p>We additionally carried out the following substantive testing's around this item:</p> <ul style="list-style-type: none"> • Obtained the claim register and tested for completeness of claims recorded in the register on a sample basis. • Obtained a sample of claimed policy copy and cross check it with claim. • Obtained a sample of survey reports Template of Auditors' Report of General Insurance Company in Bangladesh Risk Our response to the risk cross checked those against respective ledger balances and in case of discrepancy carried out further investigation. • Obtained and discussed with management about their basis for estimation and challenged their assumptions where appropriate. • Reviewed the claim committee meeting minutes about decision about impending claims. • Tested a sample of claims payments with intimation letter, survey report, bank statement, claim payment register and general ledger. • Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards, Insurance Act 1938 (as amended in 2010), Insurance Rules, 1958 and other applicable rules and regulations and regulatory guidelines. |
| <p>Details of Estimated Liability have been included in Note 09 to the Financial Statements.</p> | |



