

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31ST DECEMBER 2021

Dear Shareholders,

Ladies and Gentlemen,

With great pleasure I would like to welcome you to the 34th Annual General Meeting of Central Insurance Company Ltd. and also place before you the Director's Report along with the Audited Financial Statements and the Audited Report for the year ended 31st December 2021 for your kind review and approval.

Before reviewing the performance of the Company for the year 2021, we would like to briefly review the Global & Bangladesh economy.

GLOBAL ECONOMY

We have already passed through a period of 2 years of global health crisis arising from COVID-19 pandemic - one that has been causing loss of human lives, spreading human suffering, and upending people's lives. But this is much more than a health crisis. It is a human, economic and social crisis, attacking societies at their core – worldwide and has no parallel in the history of mankind. However, considering that human civilization developed on the theory of “challenge and Response”, the pandemic has given rise to human ingenuity and strengthened resolve to deal with this unprecedented crisis and fallouts thereof.

According to International Monetary Fund (IMF), Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022. 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.

Elevated inflation is expected to persist for longer than envisioned earlier, with ongoing supply chain disruptions and high energy prices continuing in 2022.

Risks to the global baseline are rising. 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 have increased significantly in the past two years—may emerge. 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.

BANGLADESH ECONOMY

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. The 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 an 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 in 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.

PERCEPTION OF OUR CUSTOMERS AND CONSUMERS:

The regulatory reforms in Bangladesh which started with the introduction of the Insurance Act 2010 are yet to be completed as the important regulations under the act. It is obligatory for insurance companies in Bangladesh to charge premium rates as determined by the Central Rating Committee (CRC) of IDRA, the Regulatory. However, although the process of reviewing the tariff rates has already started in the light of up dated loss expenses obtained over the years, this needs to be completed. Otherwise many clients tend to feel that they are being overcharged. This has negatively impacted on the public perception of the insurance industry at large, thereby hindering its growth. The future progress of Bangladesh Insurance Industry predominantly depends on how the consumers' perception of insurance as an useful and efficient vehicle of risk transfer can be bolstered.

OPERATING RESULT OF THE COMPANY

During the year 2021, Central Insurance attained Gross Premium income of Tk. 467.42 million as against Tk. 379.91 million in 2020 an increase of 23.03%. The reasonable growth in Gross Premium income is attributable due to writing new business from private sector and small growth of net premium caused by low retention of larger risks.

Class wise Financial Achievement in 2021 compared to 2020 is shown below:

Class	Gross Premium		Net Premium	
	2021	2020	2021	2020
Fire	201.22	162.06	151.64	99.27
Marine	185.91	132.90	151.39	101.68
Motor	31.91	34.19	31.82	34.10
Miscellaneous	48.38	50.74	11.58	10.75
Total	467.42	379.90	346.43	245.82

Underwriting profit achievement was Tk. 112.31 million as against Tk. 89.07 million in 2020.

Investment income was Tk. 82.91. million as against Tk. 77.78 million in 2020.

Net pre-tax profit stood at Tk. 160.80 million as against Tk. 143.45 million in 2020.

Net profit after tax profit amount Tk. 127.89 million as against Tk. 127.89 million in 2020.

Some important statistics relating to the performance of the Company in the year 2021 are shown in the accounts part.

DIVIDEND & OTHER RESERVES

The Board of Directors of the Company has recommended 18% cash dividend for the year ended 31st December, 2021 from the net profit of Tk.160.8 million. The Board of Directors of our Company recommended transfer of Tk. 34.64 million for exceptional loss account, Tk.33.59 million as income tax. The policy of the Directors is to pay dividends to the heights possible extent from the surplus after being considered tax & reserve for exceptional loss subject to normal business condition. On 31st December, 2021 total investments in Bank & Other financial instruments are Tk.229.13 Million. This progress undoubtedly shall create hopes in the mind of valued shareholders.

INFORMATION TECHNOLOGY

Central Insurance has been able to successfully build up its own IT Division managed by highly experienced and trained professionals, working on maintaining and developing the Company's IT infrastructure. The IT professionals are constantly innovating and producing in house programs to meet the needs of the Company's even increasing and diversified products and services. The IT division has successfully implemented a Wide Area Network (WAN) to connect the entire branch offices situated all over the Country on real time basis, that's why providing seamless connectivity and prompt customer services.

We have also acquired a new high configured server to build up three tier applications and hardware architecture.

HUMAN RESOURCE MANAGEMENT

It has been fundamental practice in Central Insurance to always emphasize on professionalism and the development of appropriate human resource management policies to enhance the quality of its employees and to ensure their optimum contribution towards the achievement of corporate goals.

The Board believes that employees are the most valuable resource and key to the success of an organization. The Company strives to attract, develop, compensate and retain the most qualified people in a work environment characterized by discipline and attention. The Board also endorses the betterment and productivity of its employees.

Through a good number of facilities and measures, financial and non-financial which are as follows:-

- ◆ Attractive Compensation Package
- ◆ Gratuity
- ◆ Provident Fund (With 10% on basic salary of employees)
- ◆ Leave Facilities
- ◆ Group Insurance
- ◆ Festival Bonus
- ◆ Training and Workshop
- ◆ Car Finance Scheme (Hire Purchase Policy)
- ◆ Annual Increment
- ◆ Promotion and Career Growth Opportunities
- ◆ Hygienic Work Environment

SOUND CORPORATE GOVERNANCE:

As a public listed entity and leading insurance company in Bangladesh led by professional people, Central Insurance Company Limited is committed to adopting the highest governance standard and adjusting them as required in profiting the interest of Shareholders and Policyholders.

Our Supervisions have a keen interest in our sound corporate governance as it is our essential element in the safe functioning of the company and may adversely affect the company's risk profile if not operating effectively.

Corporate Governance determines the allocation of authority and responsibility by which the business and affairs of an insurance are carried out by its Shareholders, Board and Senior Management including how they

- ◆ Set the company's strategy and objectives
- ◆ Select and oversee personnel.
- ◆ Operate the Insurance Business a day-to-day basis.
- ◆ Perfect the interests of depositors meet Shareholder obligations and take into account the interests of other recognized Stakeholders.
- ◆ Align Corporate culture, corporate activities and behavior with the expectation that.
- ◆ The Insurance will operate in a safe and Sound manner, with integrity and in compliance with applicable laws and regulations; and
- ◆ Establish Control Functions.

Practices we admire:

- ◆ The Chairman leads the Board of CICAL.
- ◆ Representation of women on the Board is encouraging.
- ◆ The Company is being run in line with Corporate Governance Policy of the Regulation.
- ◆ Shareholders vote for individual directors.
- ◆ All Boards Committee meet independent guidelines in respect of composition.
- ◆ The Board conducts an annual review of its performance and that of its Committees.
- ◆ An orientation program is in place for all new directors.
- ◆ All directors, executives/officers and employees of CICAL are required to acknowledge their adherence annually to Insurance guidelines for business conduct.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

The Company has continued its Endeavour to deliver economic and social benefits to the community in discharge of its CSR and has extended financial assistance to society and our employees. Central Insurance Company Limited is quite animate on its role of Corporate Social Responsibilities (CSR). Alike last year the Company during the year has contributed the following Corporate Social Responsibilities (CSR) activities:

- ◆ Donation towards BGMEA Hospital for the patient of COVID-19
- ◆ Donation for Treatment of Government Employee
- ◆ Donation for Employees Treatment
- ◆ Donation for Education

RETIREMENT OF DIRECTORS

Group-A

In accordance with the provision of the Articles of Association of the Company, three directors from Group-A namely Mr. Abul Kalam, Mr. Md. Tayabur Rahman & Mr. Nurul Islam will retire from office by rotation at the 34th Annual General Meeting and be eligible for re-appointment.

Group-B

In accordance with the provision of the Articles of Association of the Company two directors from 'Group-B name Mrs. Nurun Nahar & Mr. Ifthehar Maleque will retire from office by rotation at the 34th Annual General Meeting. In place of two vacant posts of Directors, General Shareholder has offered their candidature for the appointment as Director.

In pursuance of the Insurance Rules 1958, necessary arrangements have been made for election of two Directors from Group-B shareholders and notice has been published in two daily newspapers inviting nominations from the eligible candidates in this respect Mr. Syed Md. Waziullah, Advocate & partner of M/s. Noble Law Associates, Law Firm has been appointed as Election Commissioner as per the decision of the Board of Directors.

DIRECTORS' FEE

The Directors including Independent Directors, all being Non-Executive Directors, are given only Meeting Attendance Fee of BDT 8,000 (BDT eight thousand only) per head per Meeting of the Board and Committees. During the year 2021, a total amount of BDT 976,800 was given to the Directors as Remuneration/Meeting Attendance Fees, Travel expenses and others.

APPOINTMENT OF AUDITORS

M/s. Shafiq Basak & Co, Chartered Accountants, External Auditor of the Company, retire at the 34th Annual General Meeting and being eligible offer themselves for appointment as External Auditors for the year 2022 & our Board recommended their remuneration of Tk. 2,25,000/- only for approval by the shareholders in the Annual General Meeting.

ACKNOWLEDGEMENTS

This year's performance is a testament to the hard work and dedication of our people around the country. With an agile workforce and work ethics that emphasizes on constant learning and adaptability, I am confident in the skills and commitment of my colleagues to deliver for our customers and our shareholders in 2022 and beyond.

On behalf of the Board of Directors, Executives, Officers and Staff of all ranks of the Company for continued growth of the Company.



Mohammed Musa
Chairman