

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31ST DECEMBER 2020

Dear Shareholders,

Ladies and Gentlemen,

I have great pleasure to welcome you to the 33rd 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 2020 for your kind review and approval.

Before reviewing the performance of the Company for the year 2020, we would like to briefly review the Global & Bangladesh economy.

GLOBAL ECONOMY

Although recent vaccine approvals have raised hopes of a turnaround in the pandemic of the last year renewed waves and new variants of the virus pose concerns for the global outlook. Amid exceptional uncertainty the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022. The 2021 forecast is revised up to 0.3 percentage point relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. The projected growth recovery of this year follows a severe collapse in 2020 that had acute adverse impacts on women, youth, the poor the informally employed and those who work in contact-intensive sectors. The global growth contraction for 2020 is estimated stronger than expected momentum in the second half of 2020.

Multiple vaccine approvals and the launch of vaccination in some countries in December have raised hopes of an eventual end to the pandemic. However, surging infections in late 2020 (including from new variants of the virus) renewed lockdowns logistical problems with vaccine distribution and uncertainty about take-up are important counterpoints to the favorable news. Much remain to be done on the health and economic policy fronts to limit persistent damage from the severe contraction of 2020 and ensure a sustained recovery.

Advanced economies, in general have been able to provide expansive fiscal support to households and firms (direct tax and spending measures as well as equity injections, loans and guarantees) and central banks have reinforced this with expanded asset purchase programs, funding-for-lending facilities and for some interest rate cuts. Reflecting the strong policy support and the anticipated widespread availability of vaccine in summer 2021, the projected output loss compared with the preCOVID forecast is relatively smaller for advanced economies than other countries. However, economy of developing countries like Bangladesh has no incentive guidelines from the Government for attracting the new investors and for insuring the loser who had lost their life business and social attention during the pandemic Covid-19 attack.

BANGLADESH ECONOMY

Bangladesh recovered one of the faster growth rates in the world in the past few years with a stable economic performance that has helped to reduce poverty and social inequalities. GDP growth was estimated to have reached to 7.9% in 2019 and is forecast to fall to 2% in 2020 due to the outbreak of the COVID-19 and pick up to 9.5% in 2021. The post-pandemic global economic recovery and the private consumption boosted by strong remittance flows from the Bangladeshi migrant working around the world are expected to be the key drivers of growth in 2021.

In 2019, the general government gross debt remained relatively low-at around 34.6% GDP – as a result of a light fiscal policy. Nonetheless, the tax base is narrow owing to a number of exemptions weighing on

public revenue. Public debt ratio to GDP is consequently anticipated to increase to 35.9% by 2021. A new law was introduced at the start of the fiscal year 2019-2020 in an attempt to increase tax income: however, its impact has been limited since the launch. VAT collection grew only by 1.8% in July-October 2019, the slowest growth rate in recent years according to the National Board of Revenue. Financial situation of the banking sector remains weak due to a large share of non-performing loans and an increase in restructured loans. Inflation moderated to 5.7% in 2019 and is expected to remain stable in 2020 (5.5%) and in 2021 (5.6%) despite the COVID-19 pandemic. Current account deficit was estimated to have narrowed to 2.7% of GDP in 2019 as higher textile exports provided support. Nonetheless deficit is forecast to widen to 2.2% in 2020 because of high import requirements of the construction sector for mega-infrastructure projects. Bangladesh is one to the most vulnerable countries in the world to climate change with extreme weather events estimated to have caused a loss of around 1.8% of GDP in the few decades. The country has taken measures to promote green financing and is seeking grants from the international community notably via the Green Climate Fund. The official unemployment rate according to the latest survey of Bangladesh Bureau of Statistics was 4.2% during 2016-2018, but this is more than double in youth unemployment rate which is 10.6%. More importantly 29.8% of young people in Bangladesh are not involved in education, employment or training.

INDUSTRY OUTLOOK:

Currently Bangladesh's insurance sector comprises 46 general insurance companies and 33 life insurance companies. In addition, there are two state-owned insurance corporations, one in the general segment and the other in the life segment. The gross premium income of all Non-life insurance Companies in Bangladesh stood at Tk.4,718 Crore including SBC which was Tk. 3,418 Crore for all private Non-Life Insurance Companies in Bangladesh.

Although Bangladesh's insurance sector has witnessed some growth, in commission with other emerging nations, there is a lot of room for improvement. According to the Seventh Five Year Plan (2016 -2020) of the Government of Bangladesh (GoB), a majority of the population across product segments remains untapped by the insurance market.

Regulatory reform must have some principal aims and should restrict the sale of unfair and mispriced policies to consumers. However, by considering all factors our Company took strategy to recruit smart and skilled executives during 2020 to cope with the potential challenges of Non-Life Insurance Market. Further, due to the growth of the retain earnings our Board of Directors recommended 6% Cash Dividend and 7.5% Bonus for the year 2020.

We thank to all our shareholders, regulators, stakeholders and Government i.e Ministry of Finance, Bangladesh Securities and Exchange Commission (BSEC), DSE, CSE, CDBL, Bangladesh Insurance Association (BIA) and Bangladesh Insurance Forum (BIF) for providing business environment towards the insurance industry in Bangladesh.

PERCEPTION 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 tariffs rates have already started in the light of up dated loss expenses obtaining over the years, this need to be completed. Otherwise many clients tend to feel that they are being over charged. This has future negatively impacted on the public perception at 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 a useful and efficient vehicle of risk transfer can be bolstered.

OPERATING RESULT OF THE COMPANY

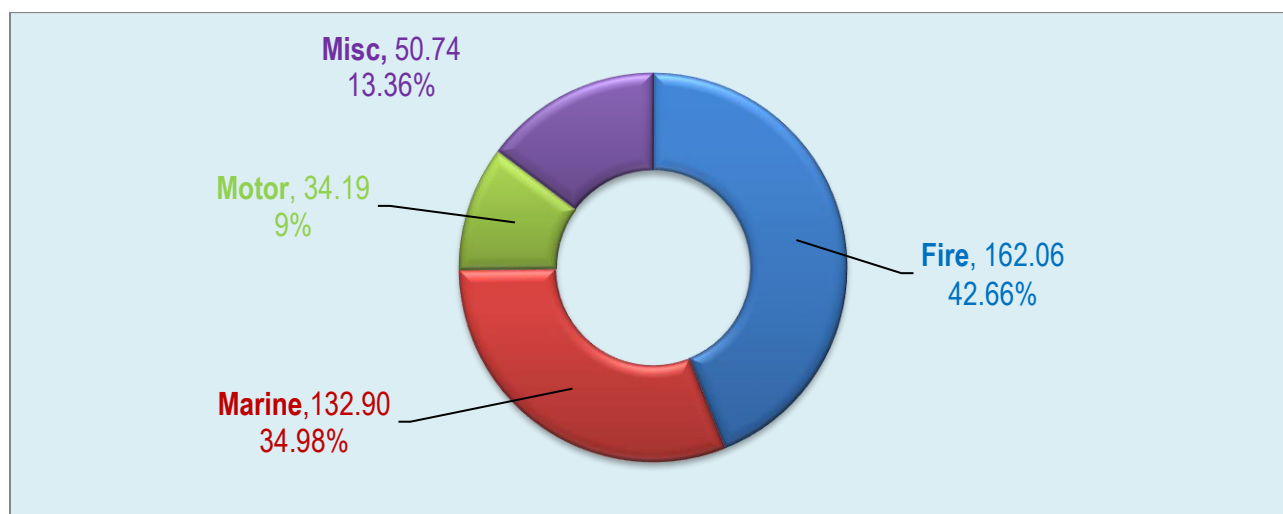
During the year 2020, Central Insurance attained Gross Premium income of Tk. 379.90 million as against Tk. 362.12 million in 2019 an increase of 4.90%. The reasonable growth in Gross Premium income is attributable due to writing new business from private sector and small growth of net premium caused by low retention of larger risks.

Class wise Financial Achievement in 2020 compared to 2019 is shown below:

Class	Gross Premium		Net Premium	
	2020	2019	2020	2019
Fire	162.06	159.16	99.27	96.86
Marine	132.90	111.69	101.68	89.79
Motor	34.19	37.75	34.10	36.76
Miscellaneous	50.74	53.50	10.75	11.83
Total	379.90	362.12	245.82	235.26

Class Wise Gross Premium Income

BDT in million



Underwriting profit achieved was Tk. 89.07 million as against Tk. 45.95 million in 2019.

Investment income was Tk. 77.78 million as against Tk. 99.08 million in 2019.

Net pre-tax profit stood at Tk. 143.45 million as against Tk. 130.34 million in 2019.

Net profit after tax profit amount Tk. 107.98 million as against Tk. 100.90 million in 2019.

Some important statistics relating to the performance of the Company in the year 2020 are shown at accounts part.

DIVIDEND & OTHER RESERVES

The Board of Directors of the Company has recommended 6% cash & 7.50% bonus dividend for the year ended 31st December, 2020 from the net profit of Tk.143.45 million. The Board of Directors of our Company recommended transfer of Tk. 24.58 million for exceptional loss account, Tk. 35.47 million as

income tax. The policy of the Directors is to pay dividend to the heights possible extent from the surplus after being considered tax & reserve for exceptional loss subject to normal business condition. On 31st December, 2020 total investments in Bank & Other financial instruments are Tk. 875.41 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.

HUMAN RESOURCE MANAGEMENT

It has been fundamental practice in Central Insurance to always emphasize on professionalism and developing 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 in 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 and Leave facility
- ✚ Provident Fund (With 10% on basic salary of employees)
- ✚ 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 adopt 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 objections
- ✚ Select and oversee personnel.
- ✚ Operate the Insurance's Business a day-to-day basis.
- ✚ Perfect the interests of depositories 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 CICL.
- ✚ 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 CICL 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 years 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 Alhaj Md. Masud Hossain, Mr. Md. Masud Karim & Mr. Abu Mohammad will retire from office by rotation at the 33rd Annual General Meeting and being eligible for reappointment. In place of three vacant posts of Directors Alhaj Md. Masud Hossain, Mr. Md. Masud Karim & Mr. Abu Mohammad Sponsor Shareholders have offered their candidature for appointment as director and their resumes are enclosed herewith as Annexute-1.

Group-‘B’

In accordance with the provision of the Articles of Association of the Company two directors from ‘Group-B’ Directors namely Mrs. Shaheda Akhter & Ms. Angee Chowdhury will retire from office by rotation at the 33rd Annual General Meeting and being eligible for reappointment. In place of two vacant posts of Directors, Sponsor Shareholder has offered their candidature for 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 Mrs. Suraiya Parveen FCS, Managing Partner of M/s. Suraiya Parveen & Associates, Chartered Secretaries, Financial & Management Consultants 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 2020, a total amount of BDT 660,000 was given to the Directors as Remuneration/Meeting Attendance Fee, Travel expenses and others.

APPOINTMENT OF AUDITORS

M/s. Kazi Zahir Khan & Co, Chartered Accountants, External Auditor of the Company, retire at the 33rd Annual General Meeting and being they are not eligible for appointment as External Auditors for Auditing consecutive period of the year 2018, 2019 & 2020. In this regard, as per the regulation 15(2) of DSE we shall not appoint them as statutory Auditor for the year 2021. That's why, our Board of Directors recommended another Audit firm named Shafiq Basak & Co. Chartered Accountants, Shatabdi Centre (6th & 8th) floor, 292 Inner Circular Road, Fakirapool, Motijheel, Dhaka with remuneration of Tk. 2,00,000/- only for approval by the shareholders in the Annual General Meeting.

ACKNOWLEDGEMENTS

This year's performance is testament to the hard work and dedication of our people around the country. With an agile workforce and an ethic 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 2021 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

Sd/-

Mohammed Musa
Chairman