

DIRECTORS' REPORT TO THE SHAREHOLDERS

As per section 184 of the Companies Act 1994 and Corporate Governance Code as adopted on 3rd June 2018 by Bangladesh Securities and Exchange Commission (BSEC)

Dear Shareholders,

The Board of Directors of the Company has great pleasure in presenting Annual Report-2022 along with the Audited Financial Statements and the Auditors' Report thereon for the year ended 31st December 2022 for your kind perusal and approval.

We begin with a brief review of the Global Economy, Bangladesh Economy and experiencing a paradigm shift as a result of the COVID-19 epidemic which is impacting established risk assessment and underwriting standards in the insurance section of the Country followed by a review of the performance of the Company for the year 2022.

Global Economy

Owing to the war in Ukraine, Zero-COVID policy in China, Energy Shortages in Europe, Protectionism in the United States and skyrocketing debt burden in developing countries, the World Economy has been facing a complex situation. In 2022, the global economic recovery from the slump caused by the pandemic has been positive.

A new, higher interest rate era is emerging from the economic stresses of the inflation shock and war in Ukraine. Though economic growth has been relatively resilient this year, global GDP is expected to grow by just 1.7% in real terms in 2023 as inflationary recessions approach major economies such as the US and Europe. It brings downside risks to growth higher interest rates from central bank. In advance market it is forecasted that real GDP growth of just 0.4% in 2023, the lowest since the 1980s outside of the global financial and COVID-19 crises. In emerging markets, it is anticipated that substantially lower growth rates than pre-pandemic that will likely feel similar to downturn.

Growth forecast from East Asia are revised down to 2.9% in 2022 – due to the mobility restrictions in the Peoples Republic of China. In the year 2022 forecast for Southeast Asia is upgraded from 5.1% to 5.5% on robust consumption and tourism recovery in Malaysia, the Philippines, Thailand and Vietnam. The year 2023 forecast is revised down to 4.7% as global demand weakens. The South Asian forecast for 2022 is maintained at 6.5% but revised down marginally for 2023 from 6.5% to 6.3% following flooding in Pakistan and a slowdown in Bangladesh.

Global Insurance Perspective

According to Swiss Re Institute report sigma No. 4/2022, for insurers, the main inflation impact on claims costs, more in non-life than life insurance. 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.

For non-life insurance, Swiss Re expects inflation of exposure values and rate hardening will boost global premium growth. It estimates a 1.1% increase in commercial premiums in 2022, and a 3.1% gain in 2023, supported by rate hardening. Besides this, Swiss Re estimates strong 6.1% nominal growth in total premiums covering life and non-life in 2022. We expect total premiums volumes will exceed the USD 7 trillion markets for the first time ever this year. Personal lines insurance premiums will expand by an estimated 0.5% in 2022, mainly on account of stagnation in advanced markets.

Bangladesh Perspective

According to Bangladesh Bank (BB) review, the domestic price level is likely to ease in the near future due to the recent declining global price level trend in almost all commodities, weathered by better yields of Aman and Boro paddies in the next two seasons. The exchange rate pressure is expected to be normalized within the next few months, supported by the necessary policy measures taken by Government and BB to curb the excessive import while enhancing the export receipts and inward remittances.

Bangladesh's robust economic recovery from the COVID-19 pandemic was interrupted by Russia's war in Ukraine. Rising global commodity prices, supply disruptions and slowdown in external demand have led to a sharp widening of the current account deficit, depreciation of Taka and the rapid decline of foreign exchange reserves. The resulting high inflation, slow growth and stringent measures to compress demand are disproportionately impacting the poor. Heightened global uncertainties will keep the balance of payments (BoP) under pressure for some time.

Bangladesh non-life insurance industry continues to operate as one of the smallest in the world (holding 60th position in the world ranking). As per Swiss Re Sigma 4/2022, the rate of insurance penetration has increased to 0.5% from 0.4% (Life 4.4% and non-life 0.1%). The non-life insurance sector where of 45 private insurers and 1 state-owned corporation, earned around Tk.42,497 million premiums in 2021.

INSURANCE DEVELOPMENT AND REGULATORY AUTHORITY (IDRA)

The Parliament of Bangladesh on 3rd March 2010 has passed two insurance laws in a bid to further strengthen the regulatory framework for the insurance industry. The new laws came into effect on 18th March 2010, are the Insurance Act, 2010 and IDRA Act 2010.

A total of 81 insurance companies have been operating in the Country. The Companies are to be regulated under comprehensive laws and guidelines and to be supervised by IDRA. The IDRA act 2010 has paved the way for better regulation of the sector by reducing business risks, and by harmonizing local and international insurance laws for the Economy of Bangladesh. IDRA attempts to protect the interest of insurance policy holders, beneficiaries and ensuring stability of the insurance sector – tow state-owned insurers- Sadharan Bima Corporation (SBC) and Jiban Bima Corporation (JBC) are also regulated by IDRA

The Insurance industry started reforming repealing the age-old insurance Act, 1938 and replacing it. The government of Bangladesh has been reforming Insurance Development and Regulatory Authority Act, 2010 and enacted Insurance Act, 2010. The related reforms have yet to be completed formulating the required regulations to apply the provisions of the Insurance Act, 2010 smoothly. In the mid of the year 2022, Insurance Development and Regulatory Authority (IDRA), got Mr. Mohammad Jainul Bari, former Secretary to the Government of Bangladesh as its new Chairman. Two new eligible and skilled members from the insurance sector, one from life and the other from non-life, also joined the Authority. The Board of Directors of the Central Insurance Company congratulated the new Chairman and the new members and extends greetings to the existing members and wished that IDRA with its reconstituted full team would be more vibrant to increase the penetration to the GDP form insurance sector

Risks Concerns and Management

Business involves risks, without risk no business can be presumed whether it is small or large. Insurance business deals with the risks of other business and also the personal properties of individuals. As a non-life insurer Central Insurance Company Limited deals with enormous type and number of risks underwriting risks of fire and fire allied, marine cargo and marine hull, motor vehicle and miscellaneous etc. Among the risks some are very uncommon to the insurance industry that the concerns arising out of the aggressive progresses in the insurance industry. High risks under different scenarios are indentified, 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. Insurance risks are classified as: strategic risks, underwriting risks, reinsurance risks, reserving risks, investment risks, liquidity risks and socio-politico economic risks. Central Insurance monitors those risks continuously and takes appropriate measures in dealing with risks of high magnitude.

Related Party Transactions

The transactions with other entities that fall within the definition of related party contained in International Accounting Standards (IAS-24). All transactions involving related parties arising in normal course of business are conducted on an arm's length basis at commercial rates on the same terms and conditions applicable to the third parties.

Detail of transaction with related parties as at December 31, 2022 are shown in Note No.41 of the financial statements.

Directors Remunerations

During the year under review the Company paid a total of TK.13,81,600/= to the Directors including Independent Directors against their Board meeting and its' committee meeting fee only. The Directors including Independent Directors, all being Non-Executive Directors are given on the basis of meeting attendance fee @ BDT-8,000/= (Eight thousand taka) per head per meeting. In addition to that no other remuneration was given to any other Directors or Independent Directors.

Information Technology and Control

IT System

Central Insurance confirmed a high quality Information Technology (IT) system to build up its capable employees by giving house training and also external training in home. With that intent the IT department was also built with IT professionals having knowledge of both software and hardware. With enthusiastic tainting and working experience the IT Department has become capable of making required software by them to meet up the demands of the other department. The IT professionals with their ever-changing needs are constantly innovating and producing in-house programs to meet the day-to- day business operations of the company. It has magnificently activated a Wide Area Network (WAN) to connect the entire branch office s situated all over the Country.

IT Control

IT systems and control refer to the mechanism and procedure put in place to manage and regulate the operation of information technology systems. Some of the areas of focus for IT system and control include:

- ▶ Access Control : Central Insurance has the unique mechanism to ensure that only authorized individuals have access to the IT system
- ▶ Data Security: Central Insurance has regular basis backup policy and redundant server to secured data.
- ▶ Disaster Recovery: Central Insurance ensures different types of disaster recovery process to restore data quickly and effectively.
- ▶ Monitoring and Reporting: Central Insurance regularly monitor IT system and evaluate performance, compliance with policies and regulations.
- ▶ Liaison with Compliance: Central Insurance always maintains the compliance and liaison with IDRA, Bangladesh Bank, NBR, BIA and others Govt. body as their requirements in related to Information Technology of the Company.

Appointment of Auditors

M/s. Shafiq Basak & Co, Chartered Accountants, External Auditor of the Company, retire at the 35th Annual General Meeting and being eligible offer themselves for appointment as External Auditors for the year 2023 & our Audit Committee and finally of our Board has recommended to increase their remuneration of Tk. 2,40,000/= from Tk. 2,25,000/= only for approval by the shareholders in upcoming Annual General Meeting.

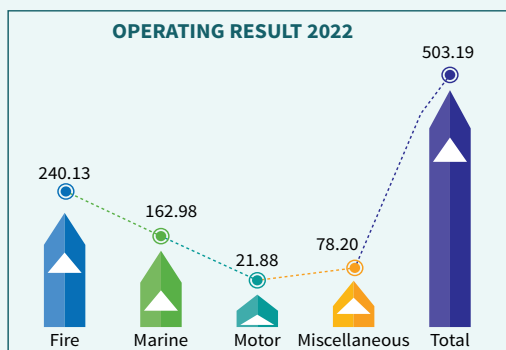
OPERATING RESULT OF THE COMPANY

During the year 2022, Central Insurance attained Gross Premium income of Tk.503.19 million as against Tk. 467.42 million in 2021 an increase of 7.65%. 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 2022 compared to 2021 is shown below:

(Tk/Million)

Class	Gross Premium		Net Premium	
	2022	2021	2022	2021
Fire	240.13	201.22	189.18	151.64
Marine	162.98	185.91	130.04	151.39
Motor	21.88	31.91	20.83	31.82
Miscellaneous	78.20	48.38	18.43	11.58
Total	503.19	467.42	358.49	346.43



Underwriting profit has been achieved in 2022 Tk. 103.10 million as against Tk. 112.31 million in 2021.

Investment income was Tk.79.34 million as against Tk. 82.91 million in 2021.

Net pre-tax profit stood at Tk. 140.06 million as against Tk. 160.80 million in 2021.

Net profit after tax profit amount Tk. 106.10 million as against Tk. 147.60 million in 2021.

Some important statistics relating to the performance of the Company in the year 2022 are shown at accounts part.

DIVIDEND & OTHER RESERVES

The Board of Directors of the Company has recommended 15% cash dividend for the year ended 31st December, 2022 from the net profit of Tk.106.10 million. The Board of Directors of our Company recommended transfer of Tk. 35.85 million for exceptional loss account, Tk.31.88 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, 2022 total investments in Bank & Other financial instruments are Tk.249.90 Million. This progress undoubtedly shall create hopes in the mind of valued shareholders.

Human Capital Management

It has been an important practice in Central Insurance to always emphasize on professionalism and 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 Company believes that its Human Resources (HR) gives it a significant competitive edge in terms of knowledge and experience and 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.

The Company also ensures attractive compensation packages and rewards including employees' safety and health to assure their retention and provide job satisfaction with the following financial and non-financial facilities.

- ▶ Attractive Compensation Package
- ▶ Gratuity
- ▶ Provident Fund (With 10% on basic salary of employees)
- ▶ Leave Facilities
- ▶ Group Insurance
- ▶ Festival Bonus
- ▶ Performance/Incentive Bonus

- ▶ Training and Workshop
- ▶ Car Finance Scheme (Hire Purchase Policy)
- ▶ Annual Increment
- ▶ Promotion and Career Growth Opportunities
- ▶ Hygienic Work Environment

Corporate Governance

As a public listed and a leading insurance company in Bangladesh led by professionals' people, central insurance company limited is committed to adopt the highest governance standards and adjusting them as required in protecting the interest of shareholders and policyholders.

Sound Corporate Governance system is vital for efficient and effective business operation to achieve the set goals. In the line with best practice, the corporate governance systems and practices in Central are designated to ensure adequate internal control, transparency and accountability in the day-to-day operations process. The Board of Directors always puts emphasis for conducting a good corporate entity and complies with corporate behavior.

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

- ▶ Establish Controlling Functions.
- ▶ Set the company's strategy and objections
- ▶ Select and oversee personnel.
- ▶ Operate the Insurance's Business a day-to-day basis.
- ▶ Meet shareholder obligations and safe interests of stakeholders.
- ▶ Align Corporate culture, corporate activities.
- ▶ Operate in a safe and Sound manner, with integrity and in compliance with applicable laws and regulations.

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.
- ❖ Shareholders vote for individual directors.
 - ▶ The Board conducts an annual review of its performance.
 - ▶ An orientation program is in place for all new directors.
 - ▶ All Boards Committee meet independent guidelines in respect of composition and run it's terms of References (ToR)
 - ▶ All directors, executives/officers and employees of CICL are required to acknowledge their adherence annually.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

Corporate Social Responsibility (CSR) is the practice of integrating social and environmental goals into business operations. We are committed to social and environmental well-being and strive to ensure sustainable. As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employees and corporations; boost morale and help both employees and employers feel more connected with the world around them.

The Company has continued its Endeavor 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 Bima Mela
- ▶ Donation for Golf Tournament
- ▶ Donation for Treatment of Employee
- ▶ Donation for Employees betterment
- ▶ 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. Mohammed Musa & Mr. Zoynal Abedin Chowdhury will retire from office by rotation at the 35th Annual General Meeting and be eligible for reappointment. Among the above three Directors Mr. Mohammed Musa and Mr. Zoynal Abedin Chowdhury desired to re-elect for the post of Director as per policy of the company.

Group-‘B’

In accordance with the provision of the Articles of Association of the Company two directors from ‘Group-B Directors namely Mrs. Shahida Akhter & Mr. Shabbir-ul Kabir will retire from office by rotation at the 35th Annual General Meeting. In place of two vacant posts of Directors, General Shareholder has offered their candidature for appointment as Director.

In pursuance of the Insurance Rules 1958, necessary arrangements have been made for the 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.

Acknowledgments

We thank all our valued clients and well-wishers for the confidence they have reposed in us. We are grateful to our shareholders for their help, advice and cooperation.

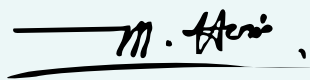
We appreciate the help and cooperation that we have received from the various Ministries, the Bangladesh Bank and other Banks and Financial Institutes, Dhaka Stock Exchange Ltd., Chattogram Stock Exchange Ltd, Central Depository Bangladesh Ltd and Bangladesh Securities and Exchange Commission.

We particularly appreciate the advice we have always received from the Chairman and Members and cooperation from the officers of the Insurance Development and Regulatory Authority (IDRA) and seek their continuous cooperation to run the affairs of the Company smoothly and in a prudent manner.

We also thank all the members of our staff at the head office and branches for their loyalty and devotion, which is relentless, drive continual energy and accelerated skills have helped the company to reach its present position.

Thank you all.

For and on behalf of the Board of Directors



Alhaj Md. Masud Hossain
Chairman