

DIRECTORS' REPORT TO THE SHAREHOLDERS

Bismillahir Rahmanir Rahim

Dear Members,
Assalamu Alaikum Wa-Rahmatullah

The Board of Directors of Express Insurance Limited takes the pleasure in presenting the Annual Report in this 20th Annual General Meeting before you and the Audited Financial Statements for the year 2019 along with the Auditors Report there on.

Before going into detail performance of the Company, a brief review of the global economic situation along with the status of the domestic economy in 2019 has been provided to enable broad understanding of the operating environment.

Global economy :

Global growth for the year 2019 recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across the countries. The slowdown in global growth in 2019 reflects lower growth in several key countries and regions. In a report published by the UN trade and development body, UNCTAD reported that 2019 endured the weakest economic expansion in a decade and there was a risk of that slowdown turning into outright contraction in 2020. Weaker growth both in advanced and developing countries now has created the possibility of a global recession in 2020. The report further warned that policy makers should put their increased attention to dealing with fallout from trade wars & Brexit, currency gyrations and movements in longterm interest rates.

The out break of the COVID-19 pandemic is inflicting high and rising human cost world wide, and the necessary protection measures are seriously impacting economic activity. As a result of the pandemic the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008-2009 financial crisis.

A Review of Bangladesh economy :

Bangladesh economy maintained a steady growth of 8.15% during FY 2018-2019 exceeding the 7.86% growth rate achieved in previous year. The growth was supported by strong domestic, external demand, remittance inflows, strong private sector credit growth, and higher growth in investment-related input. It is proved that Bangladesh Economy maintained its macro-economic stability and high growth trajectory by overcoming all types of internal and external barriers.

Agricultural sector contributed 13.6 percent of GDP in FY19 and this growth was mainly supported by the growth of fishing, forest related services and animal farming subsector. Industry sector contributed 35.0 percent of GDP, and grew by 12.7 percent in FY19, up from 12.1 percent in FY18. This growth was supported by strong growth of manufacturing and electricity, gas and water supply sub-sectors. The services sector accounts for the largest share of GDP, although the share is gradually diminishing. In FY19, 51.4 percent of GDP came from this sector which was 52.1 percent in FY18.

Service sector grew by 6.8 percent, slightly up from 6.4 percent growth in FY18. The growth of major components of services sector-like, health and social works, wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, hotel and restaurants, education and transport, storage and communication increased. The 12 month average general inflation edged down to 5.5 percent in June 2019 with low volatility, well below the targeted ceiling of 5.6 percent mainly supported by a good crop harvest and lower global food prices. Foreign exchange reserves held by the Bangladesh Bank reached the highest peak.

Industry Outlook:

It is well known to you all that a total of 46 non-life insurance Companies are operating in the country. Nos. of Companies do not match with the size of the economy. In spite of that, the insurance industry in Bangladesh has a great prospect because of a number of reasons such as the sustainable growth rate of the country's GDP and per capita income, growth of the market size, increasing population and a rapid shift of the economy from a consumption one to a manufacturing one, especially through expansion and diversification of entrepreneurship in both urban and rural areas. It is also observed that the high and middle-income people and the companies running businesses with some success are becoming more conscious about their safety and therefore, the insurance businesses may see their prospect in coverage of the risks. The prospect of development of insurance business will depend on the growing understanding of the people and businesses of the facts that insurance provides safety and security through various types of the insurance products. A series of reforms action has been taken by the Insurance Development and Regulatory Authority (IDRA) with effect from 1st August, 2019. Result of these reforms steps are gradually becoming visible. We are also hopeful that reforms will be effective & will bring discipline in this sector.

Business Highlights:

Express Insurance Limited has had another successful year. The gross premium income of 2019 stood at Tk. 489.79 Million while the net premium income was Tk. 300.59 Million. In the year gross premium income increased by 20%. The underwriting profit was Tk. 73.30 Million. It is increased by 32.72% over the previous year. In the year 2019 the operating income and net income of the Company were in increasing trend with increase in premium income in spite of decrease in investment income.

The management has taken all steps to increase more its premium income this year too. New marketing people have been recruited and new motivation package has also been declared for increase of premium income.

Business highlights of 2019 in comparison with 2018 :

Taka In Million

Particulars	Fire	Marine	Motor	Misc.	2019	2018	% of increase
Gross Premium Income	179.11	168.39	90.71	51.58	489.79	408.89	20%
Re-insurance Ceded	102.02	40.32	1.21	45.64	189.19	165.17	-
Net Premium Income	77.10	128.06	89.50	5.93	300.59	243.72	23.33%
Total Claim paid	57.34	13.29	13.51	.32	84.46	96.07	-
Agency Commission	24.98	22.29	13.21	1.83	62.31	52.32	-
Management Expenses	54.62	48.74	28.87	6.93	139.16	164.96	-
Reserve for unexpired Risk	30.84	51.86	35.80	2.37	120.87	98.11	-
Underwriting Profit/(Loss)	(15.15)	39.30	43.97	5.18	73.30	55.23	32.72%

Investment Income and Net Profit :

In spite of adverse effect of investment of share and decrease in the rate of interest of FDR leading decrease in investment income, your Company has earned a net profit before tax of Tk. 77.13 Million in 2019 while it was Tk. 76.81 million in the previous year.

Comparison of investment income and profit:

		<i>Taka In Million</i>	
Over all Result		2019	2018
Underwriting Profit / (Loss)		73.30	55.23
Interest & Revenue		29.44	38.15
Gain/(Loss) on sale of share		2.89	5.63
Total Investment Income		29.44	38.15
Profit before Tax		77.13	76.81
Provision for Tax		22.06	29.31
Reserved for Exceptional Loss		20.00	4.00
Dividend 10% in Cash		-	39.12

The Company has made provision of Tk. 20.00 Million as Reserve for Exceptional Loss and Tk. 22.06 Million for Corporate Tax during this year. The Company also has made provision of Tk. 3.67 Million for WPPF. After completion of IPO paid up capital increased to Tk. 65,19,74,640. Share trading has been started on 24-08-2020 in both the Stock Exchanges of the Country. As per rules the Company received the IPO proceeds after starting of share trading that is mid August, 2020. The Company could not utilized this IPO proceeds within this short period. Profit generation was not enough to support satisfactory dividend for the shareholders. Besides the Board of Directors wants to build up a fund of Retained Earnings so that the Company will be maintained consistent dividend rate in future and therefore the Board of Directors has not recommended dividend for the year under review.

Claim Settlement :

The gross claim payment of the Company stood at Tk. 84.46 Million in 2019 as against Tk. 96.07 Million of 2018. Re-insurance protection for the risk undertaken by the Company is well managed and as such the clients are strongly protected.

Re-insurance:

We have a Re-insurance Agreement with the Shadharan Bima Corporation, the state owned corporation with favorable terms & conditions including facultative arrangement. Hence, we are capable enough to accept the risk and underwrite general insurance business for any amount which shall be either protected automatically or will be covered under the Facultative Re-insurance arrangement. We are also doing co-insurance business with Shadharan Bima Corporation. This year Re-insurance ceded amount was Tk. 189.19 Million & Re-insurance ceded commission was Tk. 49.66 Million.

Investment Position :

The investment of the Company stood at Tk. 635.28 Million at the end of 2019, after adjustment of cumulative loss of investment in shares of previous years. The head wise investment figures are listed below :

Sl. No.	Particulars	2019	2018
01.	National Investment Bond	2,50,00,000	2,50,00,000
02.	Bank Balance with Fixed Deposit	57,44,19,957	54,11,58,180
03.	Investment in Shares	3,58,58,940	3,06,33,990
Total Investment		63,52,78,897	59,67,92,170

Credit Rating Report :

Your Company has been rated 'AA' by Alpha Credit Rating Ltd., based on its un-audited financials ended September, 2019 and other qualitative and quantitative information up to the date of rating. CPA Rating 'AA' indicates high claim paying ability having good protection factors (Strong liquidity position, good solvency ratio, sound profitability and smart investment). The above rating has been assigned in consideration of its good financial and technical performance, improving good solvency, sound liquidity, diversified and smart investment portfolio.

IPO :

The application of IPO was submitted to the Bangladesh Securities and Exchange Commission in April 2017. Time to time Revised Prospectus with updated information were also submitted. After scrutiny and verification Bangladesh Securities and Exchange Commission accorded approval to our IPO on March 8, 2020. Abridged version of prospectus was published on March 10, 2020 in four national daily, two in bengali daily and two in english daily. Due to out break of covid-19 pandemic the IPO process was delayed for some time. Finally, with the approval of the Bangladesh Securities and Exchange Commission IPO applications were received from June 14, 2020 to July 02, 2020. As against IPO share of Tk. 26,07,90,000/- total application equivalent to Tk. 159,00,85,000/- were received which was about 6.097 times higher. IPO lottery was held on 23 July, 2020. After completing IPO formalities, trading of shares of our Company was started in both Dhaka Stock Exchange & Chattagong Stock Exchange on 24 August, 2020. From the very beginning of trading there was good demand for our Company shares.

In the process of completion of IPO the notable dates are mentioned below:

- i) Listing with Dhaka Stock Exchange Limited - 10-08-2020.
- ii) Listing with Chittagong Stock Exchange Limited - 13-08-2020.
- iii) Crediting of tradable shares in respective BO Accounts by CDBL - 17-08-2020.
- iv) Trading of shares started in both the Stock Exchanges - 24-08-2020.
- v) IPO fund received for utilisation - 02-09-2020

Area of utilization of IPO fund	Amount BDT	Time of Implementation
Investment in Capital Market:		3 months from receiving IPO fund
Government Treasury Bonds	20,000,000	
Mutual Funds	10,000,000	
Secondary Market (A Category Listed Securities)	22,158,000	
	52,158,000	
Investment in FDR with Nationalized Commercial Banks	193,632,000	3 months from receiving IPO fund
IPO Expenses	15,000,000	45 days from receiving IPO fund
Total	260,790,000	

We have been utilising the IPO proceeds in the respective heads within the scheduled time as approved by Bangladesh Securities and Exchange Commission.

Retirement & Re-election of Directors:

According to Articles of 112 & 113 of the Articles of Association of the Company, the following Directors of Group "KA" (Sponsor Shareholders) shall retire in the upcoming 20th AGM and being eligible for re-election as per Article 114, all of them have offered themselves for re-election.

1. *Mr. ABM Kaiser*
2. *Mr. Md. Shamsur Rahman*
3. *Mrs. Mahfuza Younus*
4. *Mr. Syed Al Farooque*

Bangladesh Securities and Exchange Commissions directives to hold at least 30% share of the Company should be held jointly by the Sponsor Directors and each Director individually should hold at least 2% of the shares. All our Sponsor Directors collectively hold 60% shares of the Company and each of the Directors hold more than 2% shares. In this respect your Company is a compiled Company.

Going Concern:

The Directors are of the opinion that the Company is a going concern. Accordingly, Financial Statements are prepared on a going concern basis.

Nomination & Remuneration Committee:

The Nomination & Remuneration Committee of Express Insurance Limited is appointed by the Board of Directors, as required by the Corporate Governance Code of Bangladesh Securities and Exchange Commission (BSEC) notification. The Nomination & Remuneration Committee consist of six members, of whom one is an independent director, and rest are the nominated directors.

Declaration of the CEO and the CFO regarding Financial Statements:

A separate statement pertaining to due diligence of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as required under Corporate Governance Code of BSEC is presented in this report.

Appointment of Independent Directors:

Mr. Siddique Hossain Choudhury and Mr. Feroz Ahmed have been appointed as Independent Director in the Company. Mr. Siddique Hossain Choudhury is a retired Govt. officer. He was appointed in the Company on 29th May, 2017 and Mr. Feroz Ahmed was a member of BCS Cadre and retired as Secretary to the Govt. of the Peoples' Republic of Bangladesh. He was appointed in the Company on 15th October, 2017. The shareholders ratified their appointment in the 18th AGM. Both of them rendered valuable contribution to the Company. Considering their valuable contribution to the Company appointment of Mr. Siddique Hossain Choudhury has been extended for another term of three years in the 257th Board Meeting held on 16 May, 2020 and that of Mr. Feroz Ahmed for another term of three years in the 266th Board Meeting held on 14 September, 2020. Hon'ble Shareholders are requested to ratify their extension of appointment.

Audit Committee

There was an Audit Committee since inception of the Company. With the appointment of Mr. Siddique Hossain Choudhury and Mr. Feroz Ahmed as the Independent Director of the Company Mr. Siddique Hossain Choudhury was elected as the Chairman of the Audit Committee and Mr. Feroz Ahmed was elected as one of the members of the Audit Committee. Since the last year Mr. Feroz Ahmed acted as Chairman and Mr. Siddique Hossain Choudhury as a member of the Audit Committee.

Appointment of Auditors:

M/s. AHMED ZAKER & Co. Chartered Accountants have served the Company for consecutive three years and as per requirement of law they will retire in the 20th Annual General Meeting. One of the share holders has proposed the name of M/s. K. M. Hasan & Co., Chartered Accountants for appointment

as Auditors. The Board of Directors has recommended to the hon'ble members for their consideration of appointment of M/s. K. M. Hasan & Co., Chartered Accountants upto the next AGM and to fix up their remuneration. The shareholders are also requested to approve Podder & Associates, Cost & Management Accountants as compliance Auditor.

Compliance of Corporate Governance

The Board of Directors of the Company firmly believes that good Corporate Governance and transparency is very much essential for ensuring a disciplined and sustainable organisation. We have the pleasure to inform that your Company has complied with all the necessary guidelines of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June, 2018. In this regard we attach the Company's compliance status along with the necessary remarks & disclosures with this Annual Report. Further, a certificate of compliance as provided by PODDER & ASSOCIATES, Cost & Management Accountants for the period ended on 16/11/2020 is also annexed to this report.

- Discussion on COGS, Gross Profit Margin and Net Profit Margin is not applicable for Insurance Industry.
- No extraordinary gain or loss arised during the period for extraordinary activities.
- Utilization of IPO Proceeds has been narrated in seperate para.
- Detail discussion on related party transaction has been made in the Audit Report. Note no. 32.
- No Significant deviation occured in Financial Results after the Company goes for Initial Public Offering (IPO).
- No significant variation occured between quarterly Financial Performance and Annual Financial Statements.
- No remuneration paid to Directors including Independent Directors except meeting attendance fee.
- No significant deviation occured in operating results during last year.

Management:

The day to day management of the Company is vested with a group of qualified and experienced personnels. Mr. K M Saidur Rahman is leading the team. Under his prudence guidance the present management has been working tireless for the continuous growth of the Company. We believe that qualified, experienced and hard working personnels are the key to success of the Company. The Board confident that under the prudent leadership of Mr. K M Saidur Rahman, CEO, the Company will march ahead and be able to maintain its' continuous growth with full support and co-operation of all employees of the Company.

Challenges ahead:

It is well know to you all that total 46 non-life insurance companies are operating business in the Country entitle only 2% of market share for each Company. It is big challenge for the Company to retain his market share due to uneven competition.

Besides, the terms & conditions of Re-insurance Treaty as given by the state owned Sadharan Bima Corporation, the only re-insurer in the country, may push the Company in to a high risk. The Government decision to set up the Insuracne Development and Regulatory Authority (IDRA) was welcomed by all at its formation a few years back. IDRA, which become operational in January 2011 is severely understaffed to oversee the reforms in the industries.

In spite of all its limitation, at the very beginning IDRA issued a good number of directives to all Insurance Companies with good intention to bring discipline in the Insurance Industry to restrict unhealthy competition and unethical practice which lead the Insurance Industry in sound and healthy position also restore the image of the Industry.

However, we are optimistic that with the expansion of Bangladesh economy demand for non-life insurance products will also increase. Government will also play positive vital role ensuring availability of electricity, and gas, infrastructure facilities and providing fiscal incentives. Establishment of Economic Zone/Export processing zone in both private & public sector & invitation of the foreign investors for invest will also play positive role in this regard.

Gratitude:

The Board of Directors convey its profound gratitude and sincere thanks to the Ministry of Finance, Ministry of Commerce, the Insurance Development & Regulatory Authority, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, Central Depository Bangladesh Limited, Registrar of Joint Stock Companies and Firms, Sadharan Bima Corporation, all

Commercial Banks, Financial Institutions, and all of our valued clients for their whole hearted support, co-operation & guidance at various stages of the Company.

The Board also thankfully remember the valuable contributions of the Chairman, Vice-chairman, Executive Committee, Claim Committee and Audit Committee of the Company for all round prosperity & success of the Company.

In fine, the Member of the Board of Directors also like to express their sincere thanks and appreciation of the services rendered by all employees of the Company and hope to receive their untiring efforts towards all round development of the Company in the days ahead, like past.

Let us pray to Almighty Allah for all round prosperity of the Company.

Allah Hafiz

For and on behalf of Board of Directors
Of Express Insurance Limited

Date : September 14, 2020


(Md. Abdul Awal)
Chairman