

DIRECTORS' REPORT TO THE SHAREHOLDERS

Bismillahir Rahmanir Rahim

Dear Shareholders

Assalamu Alaikum.

The Board of Directors of Express Insurance Limited welcome you all to the 21st Annual General Meeting of the Company. It is indeed our pleasure to place before you the Directors' Report and the Audited Financial Statements for the year ended 31st December, 2020 along with the Auditors' Report thereon.

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 2020 has been provided to enable broad understanding of the operating environment.

Global economy:

Global economy experienced considerable downturn in year 2020. Slowdown in economic growth in the advanced as well as emerging economics adversely affected the Global Economy. Covid-19 shocks caused simultaneous disruptions to both supply and demand side of the Global Economy. On the supply side, we observed infections reduce labor supply and productivity, while lockdowns, business closures and social distancing also cause supply disruptions. On the demand side, layoffs and the loss of income worsened economic prospects and reduced household consumption and investment level. According to IMF estimates, global economy contracted by 3.3 percent in 2020 and is projected to grow at 6 percent in 2021, moderating to 4.4 percent in 2022. Larger economy is expected to grow faster by vaccine powered recovery, where emerging markets and lower income developing countries are expected to suffer in medium terms. High uncertainty surrounds the Global Outlook. Future development will depend on the new Covid-19 strains prove susceptible to vaccines or they prolong the Pandemic; the effectiveness of policy actions to limit economic damage, commodity prices and adjustment capacity of the Economy.

A review of Bangladesh Economy:

The year 2020 began with uncertainty all over the World. The Novel Corona Virus was spreading in Europe after wreaking havoc in China. The authorities confirmed the first case of Covid infected patient in the country on 8 March, 2020 and after a week, the first death from the virus was reported.

For breaking the virus chain and to contain the spread of the virus the Government of the Peoples' Republic of Bangladesh imposed countrywide lockdown. In phases, 66 days' lockdown was undertaken in 2020. With the imposition of lockdown the country's economy came almost to a halt. During the nationwide lockdown, millions lost their jobs, poverty rate doubled and many businesses folded up. Income of the vast majority of the population shrank.

Export hit rock bottom as the importing countries themselves were finding it difficult to keep their economies afloat. The country was staring at an unprecedented three prolonged crisis; health, economic & food. The Government responded to the situation with a number of policy changes and announced several stimulus packages since the end of March-2020 to help the affected people stay afloat and boost economic activities. According to the sources, Government's support measures include increasing Government expenditure, providing loan at a low interest rate, expansion of social safety net programs and raising money supply. All these fiscal and monetary measures proved fruitful and resulted positively.

At the same time the biggest support came from farmers who continue to feed the country and the migrant workers sending home a record amount of remittance. The robust flow of remittance lifted the country's foreign exchange reserve to record height & put the country on a firm footing.

The food production, remittance, the stimulus package, the reopening and the rising in domestic demand and exports put the country on the path of recovery.

Industry Outlook:

The insurance industry in Bangladesh has a great prospect because of a number of reasons such as the sustained 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.

Business Highlights:

Express Insurance Limited has had another successful year. The gross premium income of 2020 stood at Tk. 554.52 Million while the net premium income was Tk. 369.95 Million. In the year gross premium income increased by 13.21%. The underwriting profit was Tk. 80.94 Million. It is increased by 10.42% over the previous year. In the year 2020 the operating income and net income of the Company were in increasing trend with increase in premium income and investment income.

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

Business highlights of 2020 in comparison with 2019 :

Taka In Million

Particulars	Fire	Marine	Motor	Misc.	2020	2019	% of increase
Gross Premium Income	203.49	248.16	61.98	40.89	554.52	489.79	13.21%
Re-insurance Ceded	105.87	49.55	-	29.15	184.57	189.19	
Net Premium Income	97.62	198.61	61.98	11.74	369.95	300.59	23.07%
Total Claim paid	21.75	16.44	8.18	14.38	60.75	84.46	
Agency Commission	28.53	43.16	8.87	2.65	83.21	62.31	
Management Expenses	58.46	69.58	18.29	7.10	153.43	139.16	
Reserve for unexpired Risk	39.05	80.29	24.79	4.69	148.82	120.87	
Underwriting Profit/(Loss)	(7.10)	45.45	36.58	6.01	80.94	73.30	10.42%

Investment Income and Net Profit :

In spite of adverse effect of investment of share and decrease in the rate of interest of FDR, your Company has earned a net profit before tax of Tk. 103.39 Million in 2020 while it was Tk. 77.13 million in the previous year.

Comparison of investment income and profit:

Over all Result	2020	2019
Underwriting Profit / (Loss)	80.94	73.30
Interest & Revenue	40.12	29.44
Gain/(Loss) on sale of share	2.07	2.89
Total Investment Income	42.19	32.30
Profit before Tax	103.39	77.13
Provision for Tax	10.95	22.06
Reserved for Exceptional Loss	55.45	20.00
Dividend in Cash	7%	-

The Company has made provision of Tk. 55.45 Million as Reserve for Exceptional Loss and Tk. 10.95 Million for Corporate Tax during this year. The Company also has made provision of Tk. 4.92 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 utilize 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. The Board of Directors has recommended 7% cash dividend for the year 2020 (including cash 5% interim).

Claim Settlement :

The gross claim payment of the Company stood at Tk. 60.75 Million in 2020 as against Tk. 84.46 Million of 2019. 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. 184.57 Million & Re-insurance ceded commission was Tk. 53.15 Million.

Investment Position :

The investment of the Company stood at Tk. 1088.19 Million at the end of 2020, after adjustment of cumulative loss of investment in shares of previous years. The head wise investment figures are listed below :

Sl. No.	Particulars	2020	2019
01.	National Investment Bond	4,50,00,000	2,50,00,000
02.	Bank Balance with Fixed Deposit	94,60,31,442	57,44,19,957
03.	Investment in Shares & Mutual fund	9,71,63,703	3,58,58,940
	Total Investment	1,08,81,95,145	63,52,78,897

Credit Rating Report :

Your Company has been rated 'AA' by Alpha Credit Rating Ltd. based on its financials ended December, 2020 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.

Completion of IPO procedure & utilization of IPO Fund:

We have completed our IPO procedure in 2020. After completing IPO formalities, trading of shares of our Company was started in both Dhaka Stock Exchange & Chittagong 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 Exchange - 24-08-2020
- v) IPO fund received for utilization - 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		
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 utilized the IPO proceeds in the respective heads within the scheduled time as approved by Bangladesh Securities and Exchange Commission and utilization report has already been submitted to the Bangladesh Securities and Exchange Commission in due time.

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 21st AGM and being eligible for re-election as per Article 114, all of them have offered themselves for re-election.

1. *Mrs. Halima Harun*
2. *Mrs. Farida Razzaq*
3. *Mrs. Marium Akhter*
4. *Mr. Latiful Bari*

Bangladesh Securities and Exchange Commissions directives to hold at least 30% share of the Company should be held jointly by the Sponsors and Directors and each Director individually should hold at least 2% of the shares. All our Sponsor and 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.

Directors from public shareholders “B Group” Director

To comply the provision of Insurance Act. 2010 and the Articles of Association of the Company for election of Directors from public shareholders relevant notice has already been published on 10 October 2021, in two national dailies. We have not received any application for insurance of nomination paper within the stipulated time.

Due to imposition of BSEC notification dated May 21, 2021 “Each director other than independent director of any listed Company shall hold minimum 2% (two percent) shares of the paid up capital, otherwise there shall be casual vacancy of Director.”

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. Presently, the Nomination & Remuneration Committee consist of four members, of whom one is an independent director and he is the Chairman of the Committee. Rest are the nominated directors. A report of the NRC has been shown in the Annual Report.

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 ratified their extension of appointment for another term of three years in the 20th AGM held on 15 December, 2020.

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. During the last year Mr. Feroz Ahmed acted as Chairman and Mr. Siddique Hossain Choudhury as a member of the Audit Committee. A report of the Audit Committee has been shown in the Annual Report.

Appointment of Auditors:

M/s. K.M. Hasan & Co., Chartered Accountants have served the Company for year 2020 and as per requirement of law they will retire in the 21st Annual General Meeting. Being eligible, they have expressed their willingness for re-appointment for the year 2021. The Board of Directors has recommended to the hon'ble members for their consideration of extension of appointment of M/s. K.M. Hasan & Co., Chartered Accountants upto the next AGM and to fix up their remuneration at a remuneration/professional fee of Tk. 2,10,000 (excluding VAT). The shareholders are also requested to approve Podder & Associates, Cost & Management Accountants as Compliance Auditor for the year 2021 at a remuneration/professional fee of Tk. 18,000 (excluding VAT).

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 31st December, 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 separate para.
- Detail discussion on related party transaction has been made in the Audit Report. Note no. 34
- Companys' summarized key financial data for the last five years are shown in the Annual Report.
- No Significant deviation occurred in Financial Results after the Company goes for Initial Public Offering (IPO)
- No significant variation occurred between Quarterly Financial Performance and Annual Financial Statements.
- No remuneration paid to Directors including Independent Directors except meeting attendance fee.
- No significant deviation occurred 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. Md. Nazrul Islam 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. Md. Nazrul Islam, 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 known 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 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 Insurance 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. Inspite 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 expantion of Bangladesh economy demand for non-life insurance products will also increase. Government will also play positive vital role ensuring availality of electricity, and gas, infrastructural 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 Ltd., Chittagong Stock Exchange Ltd., Central Depository Bangladesh Ltd. 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


(Amir Hamza Sarker)
Chairman