

Bismillahir Rahmanir Raheem

Directors' Report

for the year ended 31st December, 2022

Dear Shareholders and honourable partners in progress

Assalamualaikum wa Rahmatullah,

It gives me a great pleasure to welcome you to the 23rd Annual General Meeting of Takaful Islami Insurance Limited on behalf of the Board of Directors of the Company and on my behalf. I am also pleased to present the Annual Report of the Directors for the year ended in December 31, 2022 along with the Audited Accounts containing Statement of Financial Position, Statement of Profit & Loss and other Comprehensive Income, Revenue Accounts and other relevant Financial Statements for the year 2022 and Shariah Council Report for your information, consideration and approval.

In compliance to the provisions of section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Bangladesh Securities and Exchange Commission (BSEC) Rules 1987 including Code no. 5 of the Corporate Governance Code 2018 issued by BSEC, IAS-1 and referring to section 76 of Insurance Act, 2010 and other related sections, subsections, rules and regulations in this purpose pursued accordingly to prepare, approve and submit the Directors' Report before the respected shareholders of the company for their perusal and approval.

Insurance Industry

The economy slowed down in the second half of 2022 due to a combined effect of Current Account Deficit and Fiscal Deficit but despite this, the gross premium income of non-life private sector insurance of the country increased from Tk. 21,038 million in 2021 to Tk. 22,670 million in 2022 with a growth rate of 7.76 percent. Non-life insurance business in Bangladesh unfortunately accounts for less than 1% of the Country's GDP as a large part of the economy still remains untapped. The scope for expansion, therefore, is enormous and this can be achieved by a coordinated effort of the government, the IDRA and the insurance companies.

Takaful's Business Performance 2022

The Management of Takaful with the active co-operation of its Board could effectively combat the situation and successfully arrested the declining trend in its premium income during the year 2022.

Despite various negative factors in overall insurance sector, operational performance of Takaful Islami Insurance Limited in 2022 was good. The Company earned gross premium of Tk. 6,262.32 lac during the year as against Tk.6,109.93 in the previous year registering a growth of 2.49 % over the last year.

Fire Insurance

The Company had underwritten a total fire insurance premium of Tk. 2,491.71 lac including an amount of Tk. 145.57 lac from the public sector. The net premium income stood at Tk. 1,028.60 lac after ceding re-insurance premium of Tk. 1,463.10 lac. During the year 2022, total payment of claim was Tk. 578.28 lac against which an amount of Tk.489.77 lac came as recovery from re-insurer including previous year recovery.

Marine Insurance (Cargo)

The total gross premium income from marine cargo business was Tk. 2,567.51 lac including premium of Tk. 235.46 lac from public sector. The net premium income of marine cargo business stood at Tk. 1982.66 lac after ceding 584.85 lac on account of re-insurance premium. In the current year an amount of Tk. 290.82. lac was paid for marine cargo claims against which an amount of Tk. 249.21 lac came as recovery from re-insurer including previous year recovery.

Marine Insurance (Hull)

In the year 2022, the total underwritten premium income from marine hull insurance business was Tk. 27.42 lac including premium of Tk. 23.45 lac from public sector business. The net premium income came to Tk. 1.92 lac after ceding Tk. 25.49 lac on account of re-insurance premium.

Motor Insurance

From motor insurance business our total gross premium income was Tk. 214.69 lac including public sector business of Tk. 25.80 lac. After ceding re-insurance premium of Tk. 187.74 lac the net contribution to revenue account was Tk. 26.95 lac. During the year, net amount of motor claim to the extent of Tk. 23.87 lac was paid.

Miscellaneous Insurance

The total gross premium income of miscellaneous business came to Tk. 961.00 lac including Tk. 531.18 lac from the public sector. In the year 2022, an amount of Tk. 583.00 lac was ceded on account of re-insurance premium. During the year, net amount of claim for Tk.0.50 lac was paid on this account.

Claims

The essence of insurance contract contemplates efficient service when distress falls upon the insured and demands assistance in no time most effectively to refill the loss suffered by the insured. Takaful Islami Insurance Ltd. achieved built in reputation for its expeditious settlement of claim and capped with this honour stepped into 22 years of its successful operation.

The Claims Department of the Company is fully equipped with devoted and efficient professionals capable of providing personalized services to the valued clients round the clock. Simple procedures and formalities are followed in settlement of claims at the earliest. The department is headed by a highly motivated and experienced Deputy Managing Director, assisted by a host of dedicated qualified personnel.

The executives of Claims Department promptly rush to the spot of incidence accompanied by a government licensed surveyor and take all necessary steps to minimize loss. Partial on account payment on the basis of preliminary survey report is also paid to the insured considering gravity of the situation.

In the year of 2022 we have settled 104 numbers of claims for Tk. 900.10 lac on account of Fire, Marine, Motor and Miscellaneous insurance business. Following are the figures of settlement of claims during the last 05 years:

Year	Total claim paid amount
2018	346.90
2019	547.50
2020	426.56
2021	257.97
2022	900.10
Total	2,479.03

Reserve for exceptional loss :

In order to keep consistency with our Corporate Slogan “Symbol of Empathy & Security” our exceptional loss reserve has been made for Tk. 1,78,94,617.00 for the year 2022. The cumulative amount is raised to Tk. 32,83,41,332.00

Investment :

The Company has invested Tk. 552.00 lac with Bangladesh Bank in the form of Bangladesh Govt. Treasury Bond (BGTB) as statutory deposit. We have invested Tk. 5,889.50 lac in TDR mode with Islami Banks and Financial Institutions and Tk. 1,063.00 lac in FDR mode with conventional Banks & Financial Institutions. Total TDR and FDR amount is Tk. 6,952.5 lac. In addition to this the Company invested Tk. 1,129.43 lac in capital market as on 31st December, 2022.

Profit and Loss Account :

The Company's income from investment and other income stood Tk. 447.47 lac against Tk. 638.08 lac earned in the previous year. After taking into account the underwriting profit of Tk. 730.54 lac and providing for various expenses not applicable to any particular fund or account, net profit before taxation came at Tk. 896.47 lac against Tk. 1,237.38 lac in the previous year.

Appropriation of Profit :

Profit earned in the year 2022 balance carried forward from last year stood at Tk. 15,82,97,316.00 This is proposed to be appropriated as under :

<u>Particulars</u>	<u>Taka</u>
i. Exceptional Losses Reserve	1,78,94,617.00
ii. Provision for income tax /Deferred Tax	2,62,94,895.00
iii. Cash Dividend for the year 2021	4,68,45,675.00
iv. Retained earnings carried to the next year	<u>6,72,62,129.00</u>
Total	<u>15,82,97,316.00</u>

Risk and Concern

The Company's well defined organization structure, predefined authority levels, documents policy guidelines and an extensive system of internal controls ensure optimal utilization and protection of resources, reporting of financial transactions and compliance with applicable laws and regulations. The Company has adequate systems of international control in place. This is to ensure that our assets are safeguarded against loss from unauthorized use of disposition. We have set very high standard to protect our people and operate our business.

Extra ordinary gain or loss

There are no such activities on continuity of any extra Ordinary gain or loss occurred in the company during the year.

Related party transaction

The Significant related party transaction (as per IAS 24) submitted by the management and it has been presented in the financial statement. page # 112.

Utilization of proceeds from Public Issues and / or through any other instrument

Takaful Insurance floated its Ordinary Shares initially in 2008 through IPO. The net proceeds of IPO used for company's operation activities.

Variance between quarterly financial performance and annual financial performance

There were some variances in the financial results from quarter to quarter. But they are not very significant ones.

Remuneration of the Directors

The remuneration of the Directors called Director Fees has been shown in the Profit and Loss Account.

Preparation and presentation of financial statements :

The Board of Directors places before you the financial statements for the year ended 31 December, 2022 for their adoption. The Directors of the confirm to the best to their knowledge that -

- The Financial Statements of the Company present a true and fair view of the company's state of affairs, result of its operations, cash flows and change in equity.
- Proper books of accounts as required by law are being maintained.
- Appropriate accounting policies have been followed in formulating the financial statements and accounting estimated were reasonable and prudent.
- The Financial statements were prepared in accordance with international accounting standard (IAS) as applicable in Bangladesh.
- The Internal control system is sound in design and effectively implement and monitored.

- There is no significant deviation from the operating result of last year.
- Key operating and financial data of last five years have been presented in summarized form in this report under the head "FINANCIAL HIGHLIGHTS (5 years at glance)" in page # 29.
- There is no significant variance between Quarterly financial performance and annual financial statements.

Dividend

The Board of Directors of the Company after making necessary reserves and provisions as mentioned in the Appropriation of Profit, proposes and recommends for declaration of 12% Cash Dividend for all shareholders of the Company for the year 2022. No bonus share or stock dividend has been declared.

Credit Rating Report

Credit Rating of the Company is being done every year. Alpha Credit Rating Limited has already rated our Company for 2022. According to their report, our Company has been graded AA (Pronounced as Double A) in the long term and ST-2 in short term which indicate good fundamentals of the Company such as claim paying ability, satisfactory financial performance, sound solvency, experienced management team, good liquidity position, systematic internal control procedure. Adequate reinsurance arrangement with Re-insurers in home & abroad etc. has added a new dimension in the goodwill of the Company.

Board Meeting Attendance

During the year, 8 (eight) Board Meetings were held. The attendance of the Directors are shown in Page # 35

Pattern of Shareholding

Pattern of shareholding as per clause 1.5(xxiii) of BSEC's Notification No: The BSEC Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 are shown in Page # 36-37.

Profile of the Directors

Brief resume of the as per clause 1.5(xxiv)(a) of the BSEC Notification BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 is shown in page # 09-19.

Brief Management's discussion and analysis

The brief management's discussion and analysis of the Company's position and operations along with discussion of changes in the financial statements signed by the Chief Executive Officer is placed in Page # 38-39

Certification of the Chief Executive Officer and the Chief Financial Officer to the Board of Directors

The Chief Executive Officer and Chief Financial Officer have performed their duties as per the Rules, responsibilities and duties as prescribed by the board. The report is placed in page # 43

Certification on Compliance of Corporate Governance Code

The Certificate from professional accountants on compliance with the conditions as per clause 9.1 of the BSEC Notification BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 has been shown in page # 44

Corporate Governance Compliance Report

Pursuant to the clause 9 of the BSEC Notification BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 we enclose the Company's compliance status shown in page # 45-54.

Report on the activities of the Audit Committee

Pursuant to the clause 5.7 of the BSEC Notification BSEC/CMRRCD/2006-158/207/Admin/80, dated June 03, 2018 the activities of the Audit Committee have been shown in page # 56-57.

Nomination and Remuneration Policy

As per the clause 6(5)(c) of BSEC's Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018, Nomination and Remuneration Policy of the Company is shown in Page # 58.

Report on the activities of the Nomination and Remuneration Committee

Pursuant to the clause 6(5)(c) of BSEC's Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018, a report and activities of the Nomination and Remuneration Committee are shown in Page # 59.

Dividend Distribution Policy

Pursuant to the clause 1 of the BSEC Directive No: BSEC/CMRRCD/2021-386/03 dated 14 January 2021, dividend distribution policy of the company is shown in Page # 60-61.

Summary of unclaimed dividend

Summary of unclaimed dividend, as per clause 3(vii) of the BSEC Directive No: BSEC/CMRRCD/2021-386/03 dated 14 January 2021, is shown in Page # 107.

Retirement and election/re-election of Directors

The 130th Meeting of Board of Directors held on April 13, 2023 has taken unanimous decision as per section No. 113 of Articles of Association regarding retirement and election of Directors from Board in 23rd Annual General Meeting as follows :

Group-A

As per section No. 112 of Articles of Association the following one third Sponsor Directors retired from Board and they being eligible, offer themselves for re-election :

01. Mr. Md. Emdadul Hoque Chowdhury
02. Mr. Abul Hashem
03. Mr. Md. Abul Hashem
04. Mr. Md. Humayun Kabir Patwary

Vacant post of Sponsor Directors will be filledup by the election among Sponsor Shareholders in the 23rd Annual General Meeting.

Group – B

As per section No. 112 of Articles of Association the following one third Public Shareholder Directors retired from Board :

01. Mr. Jahirul Islam
02. Mr. Md. Saiful Islam, Rep. of Modern Diagnostic Center Ltd.

Accordingly 2 (two) Directors will be elected from Public Shareholders. Notice related to election of Directors from Public shareholders has already been published on April 14, 2023 in the Daily Naya Diganta and The New Age.

No other Public Shareholders intend to be a Director, the above 2 (two) Public Shareholders will be re-elected as Public Shareholder Directors in the 23rd Annual General Meeting.

Appointment of Auditor

M/s. ARTISAN, Chartered Accountant performed as Auditor of the Company for the year of 2019, 2020 and 2021. Considering their performance the Board recommended M/s. ARTISAN, Chartered Accountant for appointment as Auditor at a remuneration of Tk. 1,50,000.00 (Taka one lac fifty thousand) only for the year 2023.

Appointment of Compliance Auditor

M/s. Huda Hossain & Co., Chartered Accountant was appointed as Compliance Auditor of the Company in 22nd Annual General Meeting for the year 2022. Considering their performance the Board recommended M/s.



Huda Hossain & Co., Chartered Accountant for reappointment as Compliance Auditor at a remuneration of Tk. 50,000.00 (Taka fifty thousand) only for the year 2023.

Human Resources

We believe that only a quality & practically skilled hand can produce a quality work. Mere academic qualification cannot bring good performance unless there is a mix of educational & practical Knowledge and training thereby. Keeping this in mind, Takaful Islami Insurance Limited, since its inception, put emphasis "on-job Training". Officers on Selective basis, have sent to various training Institutions. To maintain our standard and efficiency we will continue to follow the above policy for keeping our Human Resource well trained for all purposes.

Corporate Governance

The Board of Directors of the Company firmly believes that practice of Good Corporate Governance and transparency is a sine qua non towards ensuring a disciplined and a sustainable organization. Takaful Islami Insurance Limited designed the corporate Governance systems and practices to ensure adequate internal control in operational process, transparency, and accountability. The Corporate Governance structure specifies the distribution of rights and responsibilities among different executives and spells out the rules and procedures for making decisions on corporate affairs. The role of Regulatory Authorities is very important in respect of Corporate Governance practices. Takaful Islami Insurance Limited is pledge-bound to comply with all the requirements of regulatory Authorities. Parties to Corporate Governance are Board of Directors, different management committee, all decision making personnel, etc. All plans, programmes, Policy decisions, as initiated by the Board are implemented by the Management under the leadership of Chief Executive Officer.

Acknowledgement

On behalf of the Board of Directors, I like to acknowledge and extend my heartfelt gratitude to all of our stakeholders including valued clients, Reinsurers and well-wishers at home and abroad for the trust they all have had on us and for extending their unreserved support in discharging the responsibilities reposed on me and the Board during the year under review.

I also thank the Insurance Development & Regulatory Authority (IDRA), Registrar of Joint Stock Companies and Firms, Bangladesh Securities and Exchange Commission, Government and Non-Government Organizations, Sadharan Bima Corporation, Dhaka and Chittagong Stock Exchange, Bangladesh Insurance Association and all the scheduled Banks and Leasing Companies for their sincere support and whole-hearted co-operation.

The Board also acknowledges with thanks, the contribution made by the honorable Directors by guiding and giving proper directions from time to time which has made Takaful a hallmark in general insurance industry of Bangladesh.

The Directors also take the opportunity to express their sincere appreciation for the contributions made by the executives and members of the staff for their diligent and praiseworthy efforts in ensuring continued progress of the company as well as their efforts towards putting Takaful among the top insurance companies in Bangladesh. Without their dedicated and loyal services, the company could not have achieved this result.

For and on behalf of the Board of Directors

T. AFROZ

(Tahmina Afroz)

Chairman