

6.3 DIRECTORS' REPORT

Dear Shareholders,

At the outset, we, the Board of Directors of your company Green Delta Insurance Company Limited, welcome you to the 35th Annual General Meeting and would like to thank you for your continued patronage and support over the 35 years. We are very delighted to present before you the Annual Report along with the Audited Financial Statements for the year ended 31st December 2020 and the Auditor's Report thereon for kind consideration and adoption.

This Report of the Board of Directors of your company has been prepared in compliance with the provisions of section 184 of the Companies Act 1994 (Act No. XVIII of 1994) and other relevant rules and notifications issued by the regulatory bodies.

Through this report the Directors have made relevant disclosures and explanations pertaining to the issues to ensure compliance, transparency and good corporate governance practices along with the details of the business performance, operations and achievements of the company for the year ended 31 December 2020. In fact, the year 2020 is very significant in the life of the company in terms of pandemic, performance and achievements not only within the industry but also in the entire economy.

SEGMENT-WISE PERFORMANCE

In line with the general practices, the underwriting business of the company covers fire insurance, marine insurance, motor insurance and miscellaneous insurance businesses. Out of total premium earned, it is found that major contribution is made by the fire insurance, followed by marine insurance and miscellaneous insurance. The Directors takes pleasure to report that in 2020 Green Delta had another year of growth in premium earnings. Over-all and segment-wise performance of your company is shown in tables below

Gross Premium Income

Year	Gross premium (in Million Taka)	Growth (%)
2020	3,677	-12%
2019	4164	13%
2018	3,679	12%
2017	3,294	4%
2016	3,163	5%
2015	3,016	12%
2014	2,681	3%
2013	2,613	1%

Business Segment-wise Gross Premium Income (in Million Taka)

Business Segments	2020	2019	Growth (%)
Fire Insurance	2,057	1,860	11%
Marine Insurance	915	1,471	-38%
Motor Insurance	149	184	19%
Miscellaneous Insurance	556	650	14%

Segregation of Net Premium

Business Segments	2020		2019		Growth (%)
	Amount (in Million Taka)	Business Mix of Net Premium (%)	Amount (in Million Taka)	% of Total Net Premium	
Fire Insurance	597	37%	631	32%	-5%
Marine Insurance	633	39%	928	46%	-32%
Motor Insurance	130	8%	159	8%	-18%
Miscellaneous Insurance	250	16%	279	14%	-10%
Total	1,609	100%	1,997	100%	-19%

Claim and Loss Ratio

Year	Net Claim (in Million Taka)	Change (%)
2020	389	-31%
2019	565	20%
2018	471	27%
2017	371	11%
2016	334	11%
2015	302	-13%
2014	347	-6%

Segregation of Net Claim

Business Segments	2020		2019		Growth (%)
	Amount (in Million Taka)	Business Mix of Net Premium (%)	Amount (in Million Taka)	% of Total Net Premium	
Fire Insurance	229	38%	297	47%	-23%
Marine Insurance	103	16%	133	14%	-22%
Motor Insurance	14	11%	35	22%	-59%
Miscellaneous Insurance	43	17%	101	36%	-58%
Total	389	24%	565	28%	-31%

FINANCIAL PERFORMANCE

Performance of the company in terms of key performance indicators has been shown in a separate statement under title “Five Years Financial Progression” Moreover, some highlights are given in items below:

Capital Adequacy

The following table shows gradual increase in the shareholders equity.

Year	Shareholder's Equity (in Million Taka)	Change (%)
2020	6,242	7%
2019	5,858	2%
2018	5,746	-10%
2017	6412	14%
2016	5643	-1%
2015	5692	17%
2014	4853	10

Solvency Margin

The following table shows that the solvency margin of the company is above the required level.

(Figures in BDT million)

Particulars	2020	2019	2018	2017	2016	2015
Available Solvency [AS]	1831	1,434	2590	3407	4,001	3958
Required Solvency [RS]	442	512	474	401	390	365
Solvency Margin [AS/RS] (Times)	4.14	23	5	8	10	11

Re-insurance Utilization and Risk Retention Ratio

The Company has re-insurance treaty agreement with Shadharan Bima Corporation (SBC), Tryser & Co., J.B. Boda Insurance Service (L) BHD, ED Broking and Protection Insurance against all classes of general insurance business.

You may be aware that usually high-risk retention level signals inadequate reinsurance protection while low risk retention level hampers profitability. Segment-wise Risk Retention Ratios of the Company for the last few years are shown in the table below.

Particulars	Year-wise Risk Retention Ratio (%)						
	2020	2019	2018	2017	2016	2015	2014
Fire Insurance	29%	34%	27%	26%	24%	26%	25%
Marine Insurance	69%	63%	74%	97%	66%	64%	78%
Motor Insurance	87%	87%	90%	90%	91%	76%	37%
Miscellaneous Insurance	45%	43%	19%	24%	25%	27%	28%
Total	44%	48%	45%	46%	42%	42%	46%

Reserve Adequacy

The following table shows reserve adequacy of the company.

Year	Amount of Reserve (in Million Taka)	Change (%)
2020	4,390	-2%
2019	4,494	-0.4%
2018	4,513	-13
2017	5,204	17
2016	4,462	-0.9
2015	4,497	22
2014	3,685	12

Profitability

Since the source of revenue of the company is premium income from underwriting business under fire insurance, marine insurance, motor insurance and miscellaneous insurance businesses and other income like income from investments, its profitability depends upon these sources.

The following table shows the contributions of different business segments in the underwriting profit (loss) in last four years.

Business Segments	Contribution to Underwriting Profit (%)					
	2020	2019	2018	2017	2016	2015
Fire Insurance	34%	3%	5%	36%	33%	19%
Marine Insurance	42%	91%	78%	45%	56%	80%
Motor Insurance	8%	4%	14%	12%	9%	-1%
Miscellaneous Insurance	16%	2%	3%	7%	2%	2%
Total	100%	100%	100%	100%	100%	100%

Underwriting Performance/Quality-

The quality of underwriting is a significant practice at Green Delta Insurance and this activity directly contributes to the quality of growth of the Company. The underwriting practice at the Company comprises thorough evaluation, prudent financial modeling and accurate risk pricing that protects the shareholders' interests in the company while also creating value at large. It is to be noted that while marine reported good underwriting profit growth year-on-year, and slightly increase underwriting profit from previous year higher claims dented underwriting profit during the year under report for fire and miscellaneous insurance. However, we are undertaking all the necessary action across our business which will reinforce our ability to deliver quality underwriting profit growth across our various classes of business.

The following table shows the segment-wise underwriting performance of the company in the last few years.

Business Segments	Year-wise Underwriting performance (million)					
	2020	2019	2018	2017	2016	2015
Fire Insurance	334	13	20	146	126	58
Marine Insurance	404	377	315	177	220	244
Motor Insurance	75	16	56	48	33	-2
Miscellaneous Insurance	152	8	13	29	6	6

Investment Profile

The following table shows the status of investment portfolio of the company in the last year comparing with those of the previous year.

Components of Investment	2020		2019	
	Amount (in Million Taka)	% of Total Investment	Amount (in Million Taka)	% of Total Investment
NIB	75	2%	25	1%
Fixed Deposit	220	6%	188	5%
Quoted Shares	2,649	70%	2,863	73%
Un-Quoted Shares	210	5%	210	5%
Investment in Subsidiaries	410	11%	410	11%
Investment in GDSL as Margin Loan	235	6%	205	5%
Total	3,799	100%	3,901	100%

Segregation of Investment Income and Other Income

Green Delta Insurance reported healthy growth across all its investment income and other income constituents with capital gain comprising the largest chunk at 36% besides, interest income also contributed a healthy 18% to the overall pie. Profit from sale of shares and other income comprised the rest of the investments and other income line.

The following table shows the status of the contributions of different sources in the investment income and other income in the last year comparing with those of the previous year.

Heads of Income	2020		2019	
	Amount (in Million Taka)	% of Total Investment Income & Other Income	Amount (in Million Taka)	% of Total Investment Income & Other Income
Interest Income	54	18%	98	33%
Dividend	51	17%	133	45%
Profit from Sale of Shares	107	36%	2	1%
Other Income	88	29%	62	21%
Total	300	100%	295	100%

RISK AND CONCERN

As Green Delta Insurance continues to invest in new ways to gain a better understanding of the dynamic and constantly changing risk environment, it remains at the forefront of risk and resilience, enhancing risk mitigation strategies for businesses, governments and the civil society as well as informing the public policy agenda at large. A detailed report on risk management framework has been made separately in "Chapter 2.3 – Directors' Responsibility Statement and Chapter 2.4- Management's Review and Overall Responsibility"

DISCLOSURE REGARDING EXTRA-ORDINARY GAIN OR LOSS

There was no extra-ordinary gain or extra-ordinary loss during the year 2020.

DISCLOSURE REGARDING RELATED PARTY TRANSACTION

In ordinary course of business, related party transactions take place with other entities that fall within the term related party as defined in BAS 24: Related Party Disclosure. A statement on the related party transactions has been disclosed under item no. 27 of the notes of the financial statements.

DISCLOSURE REGARDING UTILIZATION OF PROCEEDS FROM PUBLIC ISSUES, RIGHTS ISSUES AND/OR ANY OTHER INSTRUMENTS

Under a deal between Green Delta insurance Company Ltd and International Finance Corporation (IFC) in 2013 IFC took 8% equity stake in the company. Shares were allotted in favor of IFC at book value of BDT 107 per share considering 6-month average of high-low price. Proceeds received from IFC have been kept as Fixed Deposit in several banks.

INFORMATION REGARDING IPO OF THE COMPANY

Green Delta floated its ordinary shares initially in 1989 through IPO. The net proceeds from the IPO were used for company's operational activities.

DISCLOSURE REGARDING VARIANCE BETWEEN QUARTERLY FINANCIAL PERFORMANCE AND ANNUAL FINANCIAL STATEMENTS

Statement of Quarterly Financial Statement is given separately. There were some variances in the financial results from quarter to quarter. But they are not very significant or material in nature.

DISCLOSURE ON REMUNERATION OF THE DIRECTORS

The Directors including Independent Directors, all being Non-Executive Directors, are given only Meeting Attendance Fee of BDT 8,000 (Bangladeshi Taka Eight Thousand only) per Meeting of the Board and Committees. During the year 2020, a total amount of BDT 809,286 was given to the Directors as Remuneration / Meeting Attendance Fee and travel expenses.

DISCLOSURE ON PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Board of Directors places before you're the financial statements for the year ended 31 December 2020 for their adoption. The Directors of the confirm, to the best to their knowledge, that-

- (i) The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- (ii) Proper books and accounts of the company have been maintained;
- (iii) Appropriate accounting policies have been applied consistently in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment;
- (iv) IAS/ BAS/ IFRS/ BFRS, as applicable in Bangladesh, have been followed in preparation of the financial statements;
- (v) As required by condition 6 of the guidelines, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have jointly certified to the Board that-
 - (a) They have reviewed the financial statements of the company for the year ended 31 December 2020 and to the best of their knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
 - (b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violation of the company's code of conduct.

DISCLOSURE ON INTERNAL CONTROL SYSTEM

The Board takes the responsible for the oversight of Green Delta's business and management, including risk management and putting up internal controls. The Directors state that the systems of internal control are sound and have been implemented and monitored effectively. Details of Internal Control System of the Company has been reported under chapter: Our Governance and Risk Management.

PROTECTION OF MINORITY SHAREHOLDERS

This is to certify that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.

GDIC'S ABILITY TO CONTINUE AS GOING CONCERN

The Directors declare that there are no significant doubts upon the company's ability to continue as a going concern. For this purpose of assessment whether GDIC has ability to continue as a going concern, the following issues have been considered:

- The commitment towards the claims filed and its ability to meet contractual obligations as they become due
- Liquidity-related actions and plans to stabilize the businesses and repay the outstanding debt
- The level of GDIC's realized and unrealized losses and the negative impact of these losses on shareholders' equity and on the capital levels of GDIC's insurance subsidiaries
- The financial position and performance of significant subsidiaries

In considering these items, significant judgments and estimates with respect to the potentially-adverse financial and liquidity effects of GDIC's risks and uncertainties have been made.

YEAR-WISE PERFORMANCE FOR THE LAST FIVE YEARS

Year-wise Performance of the company for last five years has been depicted in a separate statement under title "Five Years Financial Progression" at Chapter- IV which shows steady growth in most of the parameters that matter. Statements in this report under Segment-Wise Performance also provide you with information regarding performance for last five years.

KEY OPERATING AND FINANCIAL DATA OF PRECEDING FIVE YEARS

Key operating and financial data of preceding five years has been depicted in the statement titled "Five Years Financial Progression". Statements under sub-title Segment-Wise Performance in this report provide you with information regarding performance for last five years.

EXPLANATION ON ANY SIGNIFICANT DEVIATION FROM THE OPERATING RESULTS OF THE LAST YEAR

The statement titled "Five Years Financial Progression" showing the operating results of last five years proves that GDIC has a long outstanding reputation of being a financially solvent company. The statement also shows that operating results of the year 2020 do not significantly vary from those of the last year.

PROPOSED DIVIDEND

The Board has proposed Cash Dividend 24.5% and Stock Dividend 7.5% for the year 2020. The Board states that no bonus share or stock dividend has been or shall be declared as interim dividend.

BOARD MEETINGS

The Directors of GDICL meet on a regular basis. A detail statement showing Attendance of the Directors in the Board Meetings is placed herewith under chapter: 6.1 Report on Corporate Governance, Corporate Culture and other Committees of Board and 6.2 Report of the Audit Committee (Composition, role, meetings, attendance, Remuneration, Etc.).

SUBSIDIARY OPERATIONS

Green Delta Insurance Company Ltd. has 4 (four) subsidiary companies namely Green Delta Securities Ltd, Green Delta Capital Ltd, Professional Advancement Bangladesh Limited and GD Assist Ltd. Financial Statements and brief of business operations of those subsidiary companies have also been furnished herewith.

HR PRACTICES

GDICL is committed to providing equal opportunities to all employees, irrespective of their gender, race, nationality, ethnic origin, or religion. GDIC is an inclusive employer and values diversity in its employees. These extend to recruitment and selection, training, career development, flexible working arrangements, promotion and performance appraisal. Our corporate goal is to improve staff engagement by measuring and responding to staff members' views and willingness to exert extra effort to achieve business success. We provide necessary support to staff in order to manage change effectively. We credit the strength of our people for our organization's success, their understanding of strategy and goals, as well as their satisfaction with the work they do and how it contributes, are of critical importance throughout

our companies. We continue our efforts to create and maintain a highly skilled and motivated workforce. Through our succession planning initiatives, leadership capacity is identified and developed to ensure ongoing success.

INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) has become indispensable for Insurance Companies in ensuring smooth operation and providing efficient services. Recognized this fact the Board has adopted a comprehensive ICT policy for the company. IT system of GDIC has been upgraded for further strengthening and securing the automation of services. The highly experienced and trained IT professionals of GDIC are working on maintaining and developing the company's IT infrastructure and constantly innovating and writing in-house programs to meet the needs of the company. Local Area Network (LAN) has been in operation in the Head office and Branch offices.

CREDIT RATING

For the consecutive 4 years GDICL has been awarded AAA (Pronounced Triple A) rating in the long term and ST-1 in the short term by the Credit Rating Agency of Bangladesh Limited in the first ever history in Insurance Industry. A Certificate in this regard is given herewith.

CORPORATE SOCIAL RESPONSIBILITY

The Directors are sincere to discharge corporate responsibilities to the society. As a part of discharging corporate social responsibilities, GDIC has initiated various projects and programs and has been sponsoring various sports activities, besides patronizing cultural activities in the country since its inception. GDIC is the proud sponsor of first and second division Hockey League since 1987. From time-to-time GDIC has been sponsoring national premier Cricket league, numerous seminars and conferences organized by Institute of Chartered Accountants of Bangladesh, Institute of Cost and Management Accountants of Bangladesh, Institute of Chartered Secretaries etc.

CORPORATE GOVERNANCE

The Directors of GDICL are committed in adopting the highest governance standard and implementing them in protecting the interests of shareholders, policy holders and all other stakeholders. A detailed report on corporate governance is given herewith separately.

RETIREMENT AND ELECTION/RE-ELECTION OF DIRECTORS

As per Articles 102 and 103 of Articles of Association of the company at the Ordinary Meeting in every year, one-third (1/3) of the Directors representing the sponsor shareholders inclusive of co-opted Directors for the time being and one-third (1/3) of the Directors from public subscribers including IFC shall retire from the office and they would be eligible for re-election / re-appointment, however, Retiring Sponsor(s) shall be re-elected by the sponsor shareholders while Retiring Director(s) from Public Subscribers shall re-elected by the public subscribers.

In view of the above and pursuant to Regulation 80 of Schedule-I of the Companies Act 1994, considering the longest tenure on the Board of GDIC, the directors listed below shall retire from the Board at the 35th Annual General Meeting and they shall be eligible for re-election:

	Name	Status
01	Delwara Absar	Director
02	Shamsun Nahar Begum Chowdhury	Director
03	Mesbah Delwar Rahman	Director

A brief resume of each of the retiring directors who are eligible for re-election mentioning nature of his expertise in specific functional areas and names of the companies in which he also holds directorship and membership of committees of the board may be seen under Profiles of Directors.

MANAGEMENT DISCUSSION AND ANALYSIS:

Detailed discussion and analysis by the Managing Director and CEO is appended on page- 27 & 49

A management's discussion and analysis signed by CEO or Managing Director presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements and also in the Statement to stakeholders from the Managing Director and CEO page- 27 & 49

DECLARATION OR CERTIFICATION BY THE CEO AND THE CFO TO THE BOARD:

The Details of discussion of declaration by the CEO and CFO is appended at page- 154

APPOINTMENT/RE-APPOINTMENT OF AUDITORS

M/s. S F Ahmed & Co., Chartered Accountants, was appointed as the external auditor for the year ended 31 December 2020. The firm will retire at the conclusion of 35th AGM. Being eligible the firm has expressed their interest to be re-appointed for the next term. The audit committee has recommended for re-appointment of S. F Ahmed & Co., Chartered Accountants, as the external auditor at a remuneration of BDT 3.10 lac net of applicable Taxes and the Board of Directors has endorsed the same. The shareholders may re-appoint M/s. S. F Ahmed & Co., Chartered Accountants, as the external auditor of the company.

AN INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS

The matter has been discussed at section 2.6 "Future Prospects and Outlook"

THE TOTAL NUMBER OF BOARD MEETINGS HELD DURING THE YEAR 2020

In the year-2020, COVID-19 has not only touched our life but also in our business locally and globally as well. Globally, there has been 30%-40% business down. So, there is a lot of impact not only in the business side but also to retain action in other distressed which has impacted us globally and locally also. In spite of those factors, 6 Board meetings were held in support of virtual platform and 90% average attendance was present on an average.

A REPORT ON THE PATTERN OF SHAREHOLDING

Section: 6.1 Report on Corporate Governance, Corporate Culture and other Committees of Board, page- 112

ACKNOWLEDGEMENT

The Directors take this opportunity to express heartfelt gratitude to, all the valued shareholders, clients and all well-wishers in home and abroad for their wholehearted co-operation and active support in discharging the responsibilities reposed on the Board during the year under review.

The Directors express sincere gratitude would be to the Ministry of Commerce, the Ministry of Finance, Insurance Development and Regulatory Authority, Registrar of Joint Stock Companies and Firms, Bangladesh Securities and Exchange Commission, Government and Non-Government organizations, Sadharan Bima Corporation, Dhaka and Chittagong Stock Exchanges, Bangladesh Insurance Association and all the Scheduled Banks and Leasing Companies for their sincere support and whole hearted cooperation.

The Directors express deep appreciation for the services and loyalty of the executives, officers and employees of the company at all levels without which results could have not been achieved.

The Directors like to thank and express gratitude to Managing Director & CEO Ms. Farzanah Chowdhury and Advisor Mr. Nasir A. Choudhury for their hard work, commitment and dedication to the development of the company.

At the last but not the least certainly, the Directors express sincerest gratitude to all clients for their loyalty and patronage over the period.

With our very best regards to all our valuable shareholders, we promise to continue the growth with your support.

Thank you all.

On behalf of the Board

Sd/-

Abdul Hafiz Choudhury

Chairman