Directors' Report

Bismillahir Rahmanir Rahim

Honorable Shareholders,

Assalamu Alaikum Wa Rahmatullah.

All praises to the Almighty Allah, Most gracious and Most merciful.

I along with the members of the Board find pleasure to welcome you all in the 19th Annual General Meeting of Prime Islami Life Insurance Limited and to present before you the Directors' report for the year 2018 together with the Audited Financial Statements and Auditor's Report for the year ended 31st December, 2018 for your approval and consideration. The Audited Financial Statement and the Auditor's Report were recommended by the Board of Directors of the Company on June 27, 2019 for placing in the 19th AGM for kind approval of the shareholders. This report reflects the performance of the Company for the year-2018. The report of the Shariah Council for the year ended 31st December, 2018 has also been placed.

The Director's Report has been prepared in compliance with the Company's Act 1994, BSEC's Notification, listing regulations of Dhaka and Chittagong Stock Exchange. In addition, explanation and disclosers have been made by the Directors in relevant with issues to ensure transparency and good management practices. We believe that it is comprehensive enough to get a widened idea about business operational procedure and overall performance of the Company at a glance.

Formation of PILIL

Prime Islami Life Insurance Limited (PILIL) was initially incorporated in July 2000 as Prime Life Insurance Co. Limited with the vision to become one of the best private life insurance companies in Bangladesh and in South Asia as a whole. Prime Life Insurance Co. Limited started its operation in mid-2001 with a paid up capital of taka 30 million and an authorized capital of Tk.100 million. The paid up and authorized capital of the Company as on date is Tk.305.20 million and Tk.500 million respectively. Prime Life Insurance Co. Limited subsequently converted into an Islmic Company under the name of Prime Islami Life Insurance Limited (PILIL) in April, 2002 with a view to provide with Islamic Insurance services to all community of the society within the frame work of Shariah principles. The basic object of conversion into an Islamic Company (family takaful) is to create confidence in Insurance sinking distrust and wipe out doubt of the majority people of the society believed in Islamic values. We are now confident that we are able to full fill our pledge to brim as we have sound financial base, strong ethical values and a dynamic management system.

Our Future Plan

Prime Islami Life Insurance Limited was initially incorporated as a conventional Life Insurance Company under the name of Prime Life Insurance Co. Limited. The Prime authority observed that although Bangladesh is a wide market the whole nation could not be brought under the shade of Life Insurance because more than 90% people are confident in Islamic values and believe that Insurance is not permissible on Shariah point of view. In order to remove this barrier the Board, decided to convert the Company into a Shariah based company i.e to run the Company on the basis and principles of Shariah to take the Insurance service at the threshold of the mass people.

Therefore, our basic plan is to remove the elements which are not allowed in Islam and bring the whole nation under the shade of Insurance service.

Directors' Report

We have fixed-up our vision, mission, object and goal and in order to achieve our vision, mission, object and to reach the goal, we have made a work plan as stated below:

- We will steadily increase PILIL's equity in order to fulfill our responsibilities to our valued customers.
- We will use PILIL's equity to make strategic investments with the view to boosting its earning power continuously.
- We will continue to pay stable level of bonus to our policyholders as a means of providing better return to their investment.
- We will conduct assets management prudently in the interest of our policyholders and shareholders through appropriate risk management techniques.
- We will focus on growing and cultivating full time, dedicated and morally stronger agents and employer of agents.
- We will build a corporate culture in which our employees are encouraged to take on challenges and utilize the opportunities to develop their career.
- We will continue to marketise need based takaful products through product diversification.
- We will continue to enhance our pre-sales and after sales services, updating the Information and Communication Technology service befitting to the modern age.
- We will provide and enhance internet services by upgrading our website and introducting on-line sales.
- We will strengthen our approach to ordinary life, and group insurance business by increasing the varieties of coverage options through new insurance product lines.
- We will focus on awareness programs through electronic and press media and also through socio-cultural activities.
- We will be diversifying sales channels in response to customer needs and convenience.
- We will strengthen our welfare fund and ensure corporate social responsibility in different segments of the society.
- We will cooperate with the peers for the development of the Takaful industry nationally and internationally.
- We will be developing stronger human resources in terms of quality and quantity for attaining excellence in all respects.

Professional standards

PILIL has been rated A+" for its high claims payment ability and stable outlook based on good financial performance, sound liquidity, diversified ownership, diversified products mix, expanded service network, experienced and able management team.

Corporate Governance

Integrity, transparency, accountability and efficiency is our key principles to establish good governance in Prime Islami Life Insurance Limited. Being a public listed Company, we have implemented sound governance structure and measures, and the Board of Directors and the Management are committed to continue implementation of the higher standards of corporate governance in the days to come.

The Company has complied with the conditions as stipulated in the Corporate Governance Guidelines issued, on 3 June 2018 by the Bangladesh Securities and Exchange Commission (BSEC). In this connection, status of compliance has been annexed to this report at Annexure-I.A. Certificate from Mak & Co., Chartered Accountants conforming compliance of conditions of Corporate Governance Guidelines as stipulated under condition 9 (1) is also annexed to this report at Annexure ii.

Directors' Report

ISO Certification

PILIL has to its credit to achieving ISO certification at first amongst seventy seven insurance companies in Bangladesh and has been certified 9001:2015.

Recognition and Awards

PILIL has achieved several national and international awards. Some of those are:

1) Best Takaful Company of Bangladesh Award-2017 from Afkar Consulting Ltd. U.K
2) "Beyond Success Award" 2015 from World Confederation of Business(WORLDCO), U.S.A.
3) "Peak of Success Award" 2014 from World Confederation of Business (WORLDCOB), U.S.A.
4) Best Takaful Company Award-2013 from Afkar Consulting Ltd. U.K
5) "World Confederation of Business (WORLDCOB) BIZZ Award-2013", U.S.A
6) "Best Enterprise and Best Manager"- Award 2013 from Europe Business Assembly (EBA), UK
7) The Golden Europe Award for "Quality and commercial prestige" -2012 from 'Association Otherways Management & Consulting'-France.
8) "Century International ERA Award" in -2012 from Business Initiative Directions (BID), Spain.

Human Resources Policy

PILIL has a rational human resource policy to ensure equal employment opportunities in all respects. As per criteria of human resources development policy, we recruit officer/staff through competitive test both written and viva voce. In order to make more rational, we have revised the promotion criteria. Yearly performance of the employees are assessed very fairly and the cases of promotion are considered on the basis of criteria of the Company. To assess performance, job experience, merit, length of service, integrity are specially considered. The Promotional sub-committee of the company examine each and every case keenly and recommend to the competent authority for consideration. The Company has a service rules of national standard covering lucrative benefit packages to the employees and services of the employees are governed by it. The benefit package of the employees covers with contributory provident fund, group insurance, gratuity, health insurance scheme, leave encashment, bonus (Festival and Incentive).

To uphold the ethical values the Company has framed a code of conduct for the employees and it is implied to all. Distress employees are provided with financial help from the welfare fund of the Company for treatment of himself and his dependents. In order to grow professionalism of the employees of both the desk and the field, training programs are arranged on regular basis. Mid and senior level executives are sent abroad for quality management and professional training and to attend regional/international seminar, conference and workshop to gather wider knowledge and equipped them with high professionalism.

Training

Quality service is the Prime factor to make and put an Insurance Company to the summit level and without professional and qualitative manpower best services can't be ensured. There is no alternative to training to make the employee professional and qualitative. Prime Islami Life Insurance Limited has a well-equipped training department through which employees both the desk and Development are provided with training in a regular matter. Besides this, the employees are nominated and the participate in the training programe arranged by Bangladesh Insurance Academy, Insurance Development & Regulatory Authority Bangladesh, and also abroad.

Directors' Report

প্রশিক্ষণের একটি দৃশ্য

A detailed picture of training, we have provided with to the desk and field force during the year-2018 is given below:-

	Desk	Development
Bangladesh Insurance Academy & Other Training Institutions	59	9880
In house	318	1669
Foreign	1	-

Corporate Culture

PILIL is always keen to update the corporate culture and services befitting to the age. We arrange orientation programe for the newly joined employees to acquaint them with the Official decorum, manner, code of conduct and other corporate rules of the Company. The employees of PILIL are provided with training on regular basis to build them professional and accustom to the corporate culture.

Customer Service

Business network of the Company has been expanded and presently it operates business through 14 Corporate Zone/Divisional Offices, 61 Zone/FPR Centres, 251 Organizational Offices and 70 Agency Offices throughout the country. To provide with fast and hassle free service to the policyholders, the services of the Help Desk in the Head Office has been more qualitative.

In order to make the customer service more smooth and expedition, we have developed some sub-system including expansion of online network infrastructure.

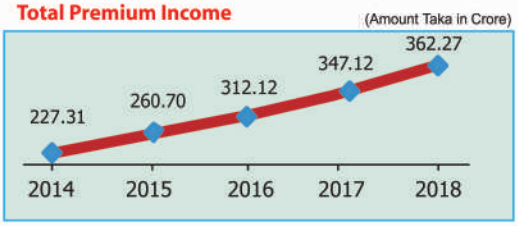
Business Growth

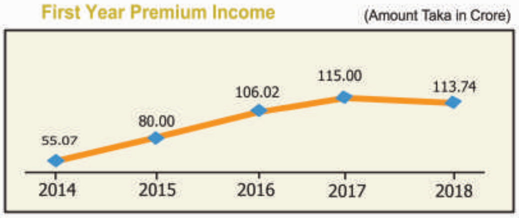
Although market competition was very tough due to advent of a number of new companies in the market. the political situation was mostly calm during the year and, therefore, it has been possible to continue the positive growth in procurement of new business in the year-2018.

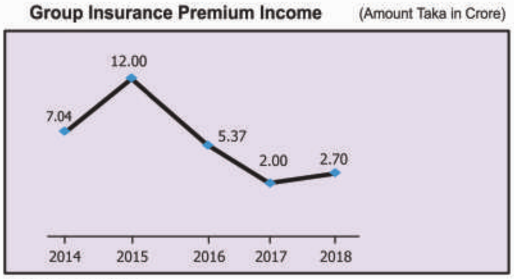
Directors' Report

Dear shareholders, you will be glad to know that in the year-2018, the Company has earned a total premium of Tk.3622.74 million against Tk.3471.25 million of the previous year. The growth rate is 4.36% against 11.21% of the previous year. The overall key performance ratios of the year 2017 & 2018 is given below:

	2018	2017
Retained premium Net Retained premium/Gross Retained premium	99.69%	99.59%
Re-insurance premium Ceded premium/Gross Retained premium	0.31%	0.41%
Claim Ratio (Including Survival benefits) Claims Incurred/Net earned premium	60.31%	53.20%
Valuation surplus Net Surplus/Net earned premium	10.90%	15.21%
Procurement Cost Agency Commission/Gross Retained Premium	16.47%	16.14%
Overhead cost General expenses/Gross Retained premium	21.94%	20.64%
Productivity Staff cost/Gross Retained premium	12.39%	10.31%
Net Income Ratio Net income/Earned premium	10.74%	16.92%
Incurred Expenses Ratio Incurred expenses/Earned premium	100.58%	90.72%







* Crore = Ten Million

Financial Growth

A comparative financial statement of last five years is given below:

(Figure in million)

Description	2018	2017	2016	2015	2014	Growth rate (over 2017)
Life Fund	8809.89	8466.59	7955.48	7582.75	7119.78	4.05%
Investment	3831.55	3963.23	5619.47	5768.31	5556.06	(3.32)%
Total Assets	9923.63	9395.11	8960.67	8525.47	7985.23	5.63%

Directors' Report

Claim Settlement

Excellence of a Life Insurance Company depends on how much easy process is followed in settlement of claims. PILIL is very liberal and take little time to settle the claims. The normal cases are settled within 7-30 days. Group insurance claims are settled within 24-72 hrs. During 2018 PILIL has paid a total amount of Tk.2178.02 million on account of settlement of claims as under:

	Number		Amount
Death claims	672	:	25.77 million
Maturity claims	30,125	:	1188.34 million
Survival Benefit	24,086	:	871.33 million
Surrender value & Others	1,939	:	71.46 million
Group (all category)	254	:	21.12 million

Dividend to Shareholders and Bonus to Policyholders

Dear Shareholders,

Dividend comes out of surplus and surplus comes out of made by the participants. You know Life Insurance market has been facing tough and unethical competition for penetration of as many as eleven new companies in the market and naturally production cost has become higher.

You will be glad to know that facing with such competitive market competition, the Company earned a total surplus of Tk.426.30 million and after allocation of 90% of policyholders' portion Tk.50.90 million remains for shareholders including Tk.8.30 million of the previous year's reserve.

I am delighted to inform you that on the basis of valuation report, the Board of Directors in its 177th meeting recommended 12% (Twelve percent) cash dividend to the shareholders of the Company.

Dear Shareholders, I believe that you will agree with me that the policyholders are the heart of the Company. Insurance Rules have allocated 90% of total surplus for the participants (policyholder) and 10% for the shareholders. As the policyholders are the principal stakeholders of the Company, they deserve and we look into the matter of their interest with top most priority alongside the interest of our respected shareholders.
As per valuation report of the Actuarial Consultant, the Board also approved the standard Bonuses to its Policyholders' for the year 2018.

IT Infrastructure

PILIL's IT department is engaged in continues development of software system and network infrastructure of the Company and the recent development activities as follows:

- To develop an integrated Enterprise Resource Planning (ERP) Software.
- To installation of server in the Third-party Data Centre for 24 hours swing as per requirement of our newly developing ERP system.
- IT network (Online connectively with remote branch) expansion.
- Numbers of online branches have been extended to 143.

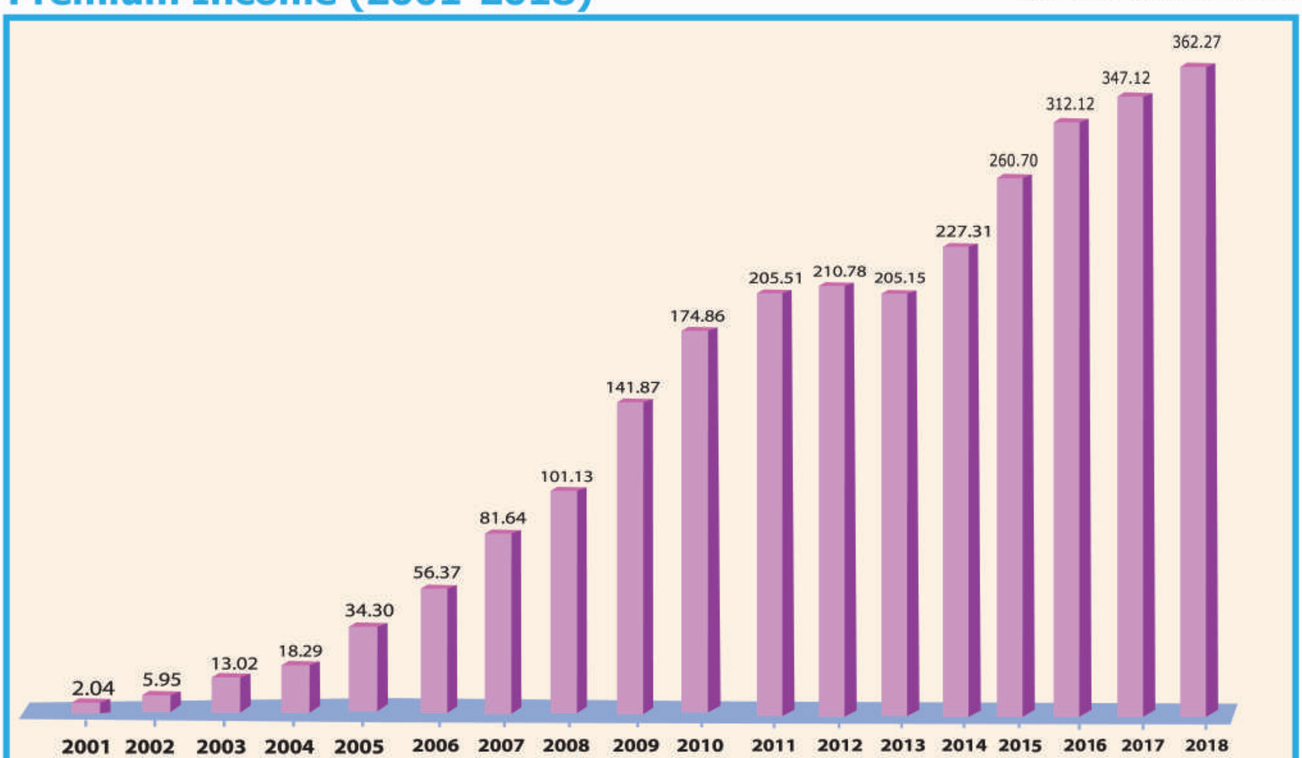
Directors' Report

কোম্পানির অর্ধ-বার্ষিক সম্মেলনের একটি দৃশ্য

PILIL has dedicated IT Executives and trained professionals are constantly working and making in house software development as per demand to meet the day to day needs of the Organization and gradually the development is working to bring total activities of the Company under the IT service.

Premium Income (2001-2018)

(Amount Taka in Crore)



Directors' Report

Stock Market operation of Company's Share

Similar to previous year, no such change in the Capital market has happened.
In the monotonous trend of the capital market, market operation of PILIL's share in DSE and CSE during the year-2018 is shown hereunder:

Name of the Month	Position			
	DSE		CSE	
	Highest (per share)	Lowest (per share)	Highest (per share)	Lowest (per share)
January	55.70	50.20	53.20	49.60
February	52.50	47.10	51.00	47.50
March	51.50	44.70	48.70	41.00
April	61.40	46.10	58.40	45.10
May	56.90	43.50	55.50	44.00
June	48.20	43.60	44.00	44.00
July	52.80	42.20	49.00	42.30
August	51.00	44.20	48.00	45.00
September	55.00	46.00	54.20	44.00
October	49.70	43.00	49.00	44.50
November	48.40	43.50	44.50	44.50
December	64.90	44.80	64.60	46.50

Risk Underwriting

Underwriting is the process of selecting risk i.e. whether Underwriter will accept the risk at normal terms, or with special terms. In the selection process, Underwriters can also decline proposals in a few cases based on excessive health, occupation or moral risk. In some cases, they have to call for extra requirements or postpone the proposal. Risk of proponents are assessed on age, income, occupation, family history, sum at risk, policy term of insurance, confidential report of Development Officers, history of previous illness, and other relevant documents. Underwriters have to check and cross- check all the data derived from proposal form and other documents very meticulously.

Underwriting is mainly classified into two categories (i) Non medical underwriting (ii) Medical underwriting. In the process of selecting risk, our underwriters have to comply with underwriting rules of the company and norms and practice of the industry, relevant conditions of re-insurance treaty and Shariah Principles and law of contract.

Directors' Report

Through prudent underwriting we have managed to increase considerable surplus of life fund and increase policyholder's and shareholder's surplus by minimizing underwriting losses. Analysis of new business statistics of PILIL for the year 2018 is given below:

Ordinary Life — **Average Sum at Risk figure in thousand Taka**

Year-2018															
Age Group	Number of Insured	Average Sum at Risk	% of Insured	Male	Male (%)	Female	Female (%)	Below SSC	Below SSC (%)	SSC & Above	SSC & Above (%)	Medical	Medical (%)	Non Medical	Non Medical (%)
Upto 30	12054	149.63	40.36	5291	43.89	6763	56.11	6946	57.62	5108	42.38	988	8.20	11066	91.80
31-40	12708	187.70	42.54	5552	43.69	7156	56.31	7915	62.28	4793	37.72	1577	12.41	11131	87.59
41-50	214	320.08	0.72	162	75.70	52	24.30	63	29.44	151	70.56	214	100	0	0
Above 50	4894	216.97	16.38	2428	49.61	2466	50.39	2860	58.44	2034	41.56	2148	43.89	2746	56.11
Total	29870	178.08	100.00	13433	44.97	16437	55.03	17784	59.54	12086	40.46	4927	16.49	24943	83.51

Micro Life — **Average Sum at Risk figure in thousand Taka**

Year-2018															
Age Group	Number of Insured	Average Sum at Risk	% of Insured	Male	Male (%)	Female	Female (%)	Below SSC	Below SSC (%)	SSC & Above	SSC & Above (%)	Medical	Medical (%)	Non Medical	Non Medical (%)
Upto 30	26747	147.58	53.22	12730	47.59	14017	52.41	14944	55.87	11803	44.13	2400	8.97	24347	91.02
31-40	15998	149.16	31.84	6340	39.63	9658	60.37	10047	62.80	5951	37.20	2026	12.66	13972	87.34
41-50	1610	0.42	3.20	807	50.12	803	49.88	803	49.88	807	50.12	807	50.12	803	49.88
Above 50	5898	127.91	11.74	2630	44.59	3268	55.41	3494	59.24	2404	40.76	2518	42.69	3380	57.31
Total	50253	141.06	100	22507	44.79	27746	55.21	29288	58.28	20965	41.72	7751	15.42	42502	84.58

The above underwriting statistics show that more than 48% of our policyholders belong to age group 'up to 30' years and more than 55% are female.

Average sum at risk for ordinary life insurance policies is approx. Tk.1,78,000/-(One lac seventy eight thousand). In case of micro life insurance it is approx. Tk.1,41,000/-(One lac forty one thousand).

Directors' Report

Shariah Compliance

You know that the Shariah Council of the Company is comprised with the renowned and prudent scholars, economists and judicial hierarchy of the country like Principal Sayed Kamaluddin Zafri, Justice Mohammed Abdur Rouf, Mufti Sayeed Ahmad, Mowlana Ruhul Amin Khan, Professor Dr. A. K. M. Abdul Quader, Professor M Muzahidul Islam, Professor A.K.M. Shamsul Alam, Sheikh AQM Abdul Hakim Madani and others with national repute. The Company has a number of Murakibs including a member secretary of the Shariah Council. All Murakibs of the Company are highly qualified in the respective area and has been working under guidance of the Shariah Council. They regularly visit the Offices of the Company to oversee the compliance of Shariah. During the year they visited 52 Offices.

Business ethics & quality management

The Company follows strictly the business ethics and we believe in that. Our ethics are to ensure integrity, excellence, trust, honesty, good governance and transparency in our all activities, and our position in the above matters is sound. We believe that all of our employees work with the above spirit, and are committed to provide with ethical and superior quality services to uphold the values of Islam. The principal objects of Prime Islami Life Insurance Ltd. are to establish healthy relations and cooperation with stakeholders, and avoid discrimination to gender, cast and religion. It may be noted that out of total policyholders of the Company, more than 51.47% are female.

We have formulated a code of conduct for the employees in order to ensure ethical business practices and protect customer's interest at first. The Company is "A+" rated and ISO certified 9001:2015 and we are committed to provide with highest ethical and standard services through complying with ISO criterion and also to uphold the values of Islam. Prime Islami Life is also committed to abide by the seven principles of QC-100 which foster improvement for clients, employees, suppliers and all of the other persons who make up the Company.

ব্রাহ্মণবাড়িয়া জোন আয়োজিত মরনোত্তর বীমাদাবী পরিশোধ ও ব্যবসা উন্নয়ন সভার একটি দৃশ্য

Directors' Report

Directors

According to the Companies Act, 1994 and section 94 of the Articles of Association of the Company one third Directors will be retired from their office by rotation every Annual General Meeting.

Sponsor Directors will be elected by the Sponsor Shareholders, Shareholder Directors will be elected by the Shareholders and Independent Directors will be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting. A brief profile of Directors of the Company has opened shown in the page no. 16.

Retirement & Re-election of Directors (Group-A)

As per Article 94 of the Articles of Association of the Company, the following Directors will retire from the office at 19th Annual General Meeting, where eligible they can be re-elected:

i. Mr. Waheed Murad Jamil
ii. M/s. Noman Corporation
iii. M/s. Apsara Holding Limited

Public Subscriber's Directors (Group-B)

In terms of BSEC Notification No. BSEC/CMRRCD/2009-193/217/Admin/90 dated 21st May 2019, the Shareholder Directors of the Company were not eligible for re-election. Under section 76 of the Insurance Law-2010, three Directors will be elected from Public Shareholders in the 19th Annual General Meeting. It may be mentioned here that Notice for election of Directors from Public Shareholders were published in two national dailies on July 25, 2019, inviting nominations from Public Subscribers and all preparation have been completed in order to hold the election as per schedule.

Independent Directors

In compliance with the latest corporate governance notification guidelines of BSEC, Mr. Mohammad Touhidur Rahman FCA and Mr. Md. Abdul Quddus were appointed as Independent Directors by the Board of Directors of the Company. The Independent Directors enjoy full independence in terms of carrying out their coveted responsibilities. Both of them are well conversant in the field of business and professional areas.

Appointment of Auditors

Syful Shamsul Alam & Co., Chartered Accountants, ware appointed as Auditor of the Company for the year-2018 and agreed with the proposal. The Board therefore, recommended Syful Shamsul Alam & Co., Chartered Accountants for appointment as Auditor of the Company for the year 2019.

Directors' Responsibility

With regard to responsibility for preparation and presentation of the Financial Statements, the Directors confirm that:

- The Financial statements and other information included in the annual report fairly present all materialand the state of affairs of the Company.
- The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act-1994, Insurance Act-2010, Insurance Rules-1958 and Securities and Exchange Rules-1987. These statements present fairly the Company's statement of affairs and the results of its

Directors' Report

operation and cash flow.

- In preparing the financial statement, information have been obtained from books of accounts which have been maintained properly as required by the law.
- The financial statements have been prepared in accordance with International Accounting Standard adopted by ICAB (The Institute of Chartered Accountants of Bangladesh).
- The Directors have selected each accounting policies and applied them consistently and made judgments and estimate that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the results of the Company for that period.
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Company's Act-1994, Insurance Act-2010, Insurance Rules-1958 and Securities and Exchange Rule-1987 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Annual Accounts have been prepared as on 'going Concern' basis.
- The Internal Control system is sound in design and effectively implemented and monitored.
- The key operating and financial data of the last five years is annexed as 'Financial Highlights'.

Gratitude

We express our sincere thanks and gratitude to the Ministry of Finance, the Chairman and Members of Insurance Development & Regulatory Authority, the Registrar of Joint Stock Companies & Firms, Bangladesh Securities and Exchange Commission, Shariah Council, Bangladesh Bank, all Scheduled Banks & Financial Institutions, Bangladesh Insurance Academy, Bangladesh Insurance Association, Dhaka Stock Exchange, Chittagong Stock Exchange, Central Depository Bangladesh Limited for their continued support and co-operation at all times. We also put on record with gratitude the support and co-operation received from our innumerable valued policyholders, shareholders and well-wishers.

I also put on record the sincere cooperation and prudent guidance of the members of the Board of Directors to keep up the rise of the Company.

I would like to thank and express heartfelt gratitude on behalf of the Board of Directors to the Chief Executive Officer for his dynamic leadership and the total management team along with field force to place the Company in a prestigious position amongst the Life Insurance Companies in private sector.
I wish you all continued good health, happiness and prosperity.

May Allah help all of us.
On behalf of the Board of Directors

Mohd. Akther
Chairman
September, 2019