

# Board of Directors Report

The Board of directors is pleased to present the 33rd Annual Report of the company to the distinguished shareholders for the financial year ended 31 December 2009.

## Insurance Market

Bahrain market remained soft and competitive during 2009 owing to availability of excess reinsurance capacity provided by regional reinsurance companies and also because of irrational business practices adopted by new companies. Even existing accounts of established companies came under threat from new players as they were able to offer cut-throat rates to acquire market share triggering practically a price war in the market. The recent global financial crisis also affected the economies and impacted economic activities of Gulf countries including Bahrain. Engineering and Marine classes of business were most affected by this crisis.

However, as an established player in the market, our company could withstand all this. We could retain all our major customers even in the face of tough competition because of our heightened level of customer services. Diversification of our products range as well as our ability to write all classes of business helped us to achieve higher growth in certain classes of business like medical and personal lines that could make up for negative growth

experienced in certain classes like fire, engineering and marine. Though budgeted level of gross growth rates could not be achieved in many classes of business, better underwriting result was there for almost all classes as prudent underwriting methods were in place and were implemented scrupulously.

## Investment Market

Investment markets stabilised during early part of 2009 due to orchestrated stimulus packages offered by almost all major world economies. With the oil prices stabilising between US\$ 70 to US\$ 85 a barrel, Mena region witnessed substantial growth in equity market from its lows. This growth however has been temporarily punctuated by the Dubai financial episode towards the end of the year, impacting values achieved during the year. Once this situation is appropriately addressed we should witness good performance in investments going forward.




Gross premium - 2009

**BD13,452,258**

Growth: **14%**

### **Medical Insurance**

We have a number of medical insurance schemes to choose from. Plans are available for Individuals & Families and also for Groups or Employees of companies.



Net earned  
premium - 2009

**BD5,559,795**

### **Engineering Insurance**

Whether you are a Contractor, Engineer, Project Manager, Consultant or a factory owner, we have the right cover you need.

## Company performance for the year 2009

Despite the adverse market conditions the Company's results for the year 2009 are very encouraging. Gross premium grew to BD13,452,258 for the year 2009 compared to BD11,807,700 for the previous year, representing a growth of 14%.

Net earned premium has increased to BD5,559,795 for 2009 from BD4,985,377 for 2008 showing a growth of 12%.

Results of various insurance activities before deducting general and administration expenses are as follows:

	2009 BD	2008 BD
Fire general risks and Engineering	438,272	403,039
Marine and Aviation	161,161	188,584
Medical and Life	601,425	252,309
Motor	549,836	964,190
<b>Total</b>	<b>1,750,694</b>	<b>1,808,122</b>

Net Investment income is BD871,677 for the year 2009 compared to a loss of BD714,124 for the previous year.

The net profit for 2009 is BD2,017,933 as compared to BD236,291 for the previous year after directors' remuneration paid during the year.

## Proposed distributions:

The Board of Directors seeks the approval of the distinguished General Assembly on the following:

	BD
Transfer to statutory reserves	201,793
Cash dividend of 5 fils per share	199,953
Bonus issue of 7 share for every 20 held	1,400,726
Directors' remuneration for 2009	48,000

## Corporate governance

In accordance with the Central Bank of Bahrain rulebook pertaining to public disclosure the company is required to make additional disclosure in respect of the constitution, profile of the Board of Directors and management, various committees and organisation structure. The required disclosures are as follows:

### Constitution

A Board of directors elected by the body of shareholders, consisting of seven members, governs the company. They hold office for three years and are eligible for re-election thereafter. They derive their powers from the Bahrain Commercial Companies Law 2001, the memorandum and the articles of Association and the powers granted by the Body of shareholders

at their general assembly. Their shareholding pattern in the company is given in note 21 of the financial report. During the year 2009 the Board of Directors met four times.

## Committees of the Board

The Board of Directors has delegated their powers to three committees to assist them in carrying out their directorial duties and to supervise more closely the management activities. These committees are Executive Committee and Audit Committee.

**The Executive Committee** consists of Mr. Sofyan Adnan Sami Khatib – Chairman and Mr. Yahya Ebrahim Nooruddin and Mr Adil Taqi.

The Executive Committee is empowered to act on behalf of the company to supervise the company's insurance and investment operations.

This Committee was formed in April 2009 after the Board elections. Since its formation during the year 2009, Executive Committee held two meetings.

# Board of Directors Report (Continued)

The **Audit Committee** consists of Mr. Adel Hassan Ali Alaali – Chairman and Mr. Tinnium Ramachandran Karthik

The Audit Committee is in charge of the audit function of the company.

The committee oversees the statutory auditor function. The internal auditor directly reports to the Audit Committee.

During the year 2009, the Audit Committee met three times.

## Capital Adequacy

The company regularly reviews the financial position of the company with respect to capital adequacy as required by the Central Bank of Bahrain rulebook. The rulebook specifies that the tier 1 capital should be at least BD 5 million and that the available capital of the company should be adequate to cover the minimum solvency margin. The rulebook sets the procedure in which tier 1 capital, available capital and required solvency margin is determined. Available capital and required solvency margin would depend on the financial position and the scale of operations of the company.

The capital of the company determined in accordance with the Central Bank of Bahrain rulebook as on 31 December 2009 as follows:

Minimum tier 1 capital required	BD 5.0 million
Tier 1 capital of the Company	BD 9.5 million
Minimum solvency margin required	BD 1.3 million
Available capital of the Company	BD 4.7 million

Accordingly, the available capital of the company is about 3.6 times the required solvency margin.

## Thanks and appreciation

On behalf of our shareholders, the Board of Directors would like to extend their sincere thanks and appreciation to His Majesty the King Hamad Bin Isa Al Khalifa, The King of the Kingdom of Bahrain, His Royal Highness Prince Shaikh Khalifa Bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Shaikh Salman Bin Hamad Al Khalifa, The Crown Prince and Commander-in-Chief of the Bahrain Defence Force.

The Board would also like to thank HE the Minister of Industry and Commerce and HE the Governor of Central Bank of Bahrain for their continuous support to the insurance industry in Bahrain and all Ministers, the private sector establishments and individuals who dealt with our company and placed their trust.

We also extend our thanks to all the distinguished shareholders for their trust and continuous encouragement to the Board. Our appreciation and sincere thanks go to the management and the employees for their loyalty and dedication.

**Board of Directors**  
24<sup>th</sup> February 2010