Africa Re

- Established in 1976
- 42 African Member States

ANNUAL REPORT & ACCOUNTS

2021

Africa Re

About Us

The African Reinsurance Corporation (Africa Re) was established by a multilateral Agreement as a **pan-African intergovernmental reinsurance group** on **24 February 1976** by 36 member States of the Organization of African Unity (now African Union) and the African Development Bank Group (AfDB).

Mission

- To **foster** the development of the insurance and reinsurance industry in Africa;
- To **promote** the growth of national, regional and sub-regional underwriting and retention capacities;
- To **support** African economic development.

Value Proposition

- We **deploy** our **strengths** and **leverage** our **proximities** for **endless possibilities** and **client protection**.
- We offer financial protection through reinsurance covers to life and non-life insurers in Africa and other selected markets in the Middle East, Asia and South America.

Diversified Shareholding

- 42 African States – 34.64%;
- 113 Insurance and Reinsurance Companies – 33.94%;
- African Development Bank – 8.38%;
- Fairfax Financial Holdings – 7.33%;
- AXA Africa Holdings – 7.33%;
- Allianz SE – 8.38%.

With a **gross written premium of US$ 845.346 million in 2021**, Africa Re is the **leading and largest pan-African** reinsurer in Africa and the Middle East (by net reinsurance written premium).

Africa Re is ranked **37th by S&P in the Top 40 Global Reinsurance Groups** by **net reinsurance premiums written in 2020** and **ranked 46th by AM Best in the Top 50 World's Largest Reinsurance Groups** by **unaffiliated gross premium written in 2020**.

Our portfolio is about **95% Property & Casualty** with the remainder covering **Life & Health**. Our risk solutions are categorized into **Fire & Engineering, Accident & Motor, Oil & Energy, Marine & Aviation, Life & Health** and **Miscellaneous**.

The Corporation is led **and managed** by **Africans** and has **262 permanent employees** from **27 African nationalities** including the Executive Management.

Africa Re operates from **11 business locations** serving **Africa**, parts of the **Middle East**, **Asia** and **Latin America**. The **network of offices** comprises:

- **Subsidiaries (4):** Africa Re South Africa Limited (South Africa), Africa Retakaful Company (Egypt), Africa Re Underwriting Management Agency Limited (United Arab Emirates) and Sherborne Number Ten Parktown Investments Pty Limited (South Africa)
- **Regional Offices (6):** Nigeria, Morocco, Côte d'Ivoire, Egypt, Mauritius & Kenya
- **Contact Offices (1):** Ethiopia
- **Underwriting Representative Offices (2):** Uganda and Sudan

The Corporation is the best rated pan-African reinsurer.

- **A.M. Best Company:** A (Strong / Stable Outlook) since 2016 ("A-" since 2002)
- **Standard & Poor's:** A – (Strong / Stable Outlook) since 2009.

Africa Re manages the following **continental and national Insurance Pools**:

- **AAIP:** African Aviation Insurance Pool, which started in 1983 is promoted by the African Insurance Organization (AIO) for aviation business.
- **AOEIP:** African Oil & Energy Insurance Pool, which started in 1989 is promoted by the African Insurance Organization (AIO) for oil & energy business.
- **EAIPN:** Energy & Allied Insurance Pool of Nigeria, which started in 2014 is promoted by the Nigerian Insurers Association (NIA) for oil & energy business.

We also contribute to the wellbeing of our societies through the **Africa Re Foundation** registered in Mauritius which is the channel of our **Corporate Social Responsibility (CSR) activities**. The areas of focus of the Africa Re Foundation are:

- Insurance education;
- Industry development;
- Disaster relief;
- Technology development;
- Community development; and
- Risk prevention, awareness & research.

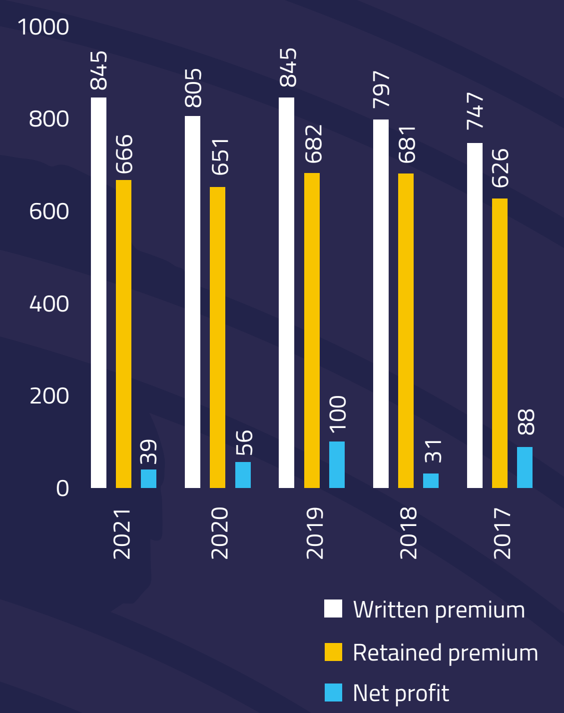
In recent years, the Africa Re Foundation supported various and impactful initiatives for up to US$ 6.4 million in the following areas:

	Total	Weight
Covid 19 Pandemic Relief & Fight	$1,021,692.70	15.9%
Insurers Association	$377,011.84	5.9%
Insurance & Risk Awareness Campaign	$378,324.90	5.9%
African Insurance Awards - AIA	$1,086,364.00	16.9%
Young Insurance Professionals Programme - YIPP	$545,345.00	8.5%
Education & Microinsurance Development (ILO)	$650,000.00	10.1%
Disaster Recovery	$200,000.00	3.1%
African Insurance Regulatory Authorities	$925,000.00	14.4%
Research & Development	$311,575.00	4.9%
Community Support & Prevention of Diseases	$926,531.17	14.4%
	$6,421,844.61	**100.0%**

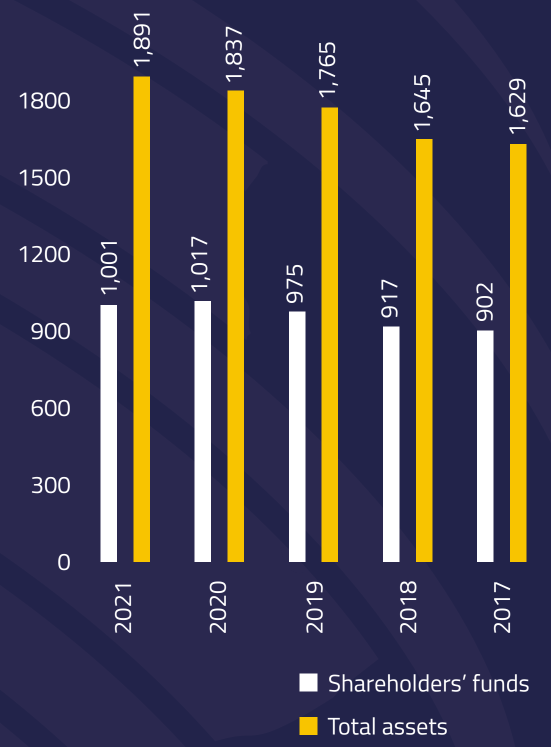
Financial highlights

In US$ '000	2021	2020	2019	2018	2017
Results					
Written Premium	845,346	804,774	844,786	797,415	746,829
Retained Premium	666,381	651,096	681,647	681,334	625,650
Earned Premium (Net)	667,696	655,378	673,340	673,554	606,896
Net Profit	38,823	55,709	99,904	31,269	87,982
Financial position					
Shareholders' Equity	1,000,714	1,017,106	975,198	917,047	902,039
Total Assets	1,890,613	1,836,676	1,770,980	1,648,066	1,628,545

Results 2017 - 2021
(in million US$)



Financial position 2017 - 2021
(in million US$)



Ratings

A.M. Best **A**

Standard & Poor's **A-**

A.M.Best
(Excellent/Stable Outlook)

S&P
(Strong/Stable Outlook)

Proposed dividend per share for 2021

US$8.8

2020 Dividend: US$ 8.8

TABLE OF CONTENTS

African Reinsurance Corporation
Annual Report & Financial Statements
31 DECEMBER 2021

African Reinsurance Corporation
General Assembly

44th Annual Ordinary Meeting
Cairo, Egypt, 27 July 2022

Honourable Representatives,

In accordance with the provisions of Articles 14 and 37 of the Agreement Establishing the African Reinsurance Corporation and Article 8 of the General Regulations of the Corporation, I have the honour, on behalf of the Board of Directors, to submit to you the Annual Report and Audited Accounts of the Corporation for the period 1 January to 31 December 2021.

Please accept, Honourable Representatives, the assurance of my highest consideration.

Dr Mohamed Ahmed MAAIT

Chairman of the Board of Directors and General Assembly

BOARD OF DIRECTORS

Dr Mohamed Ahmed MAAIT

Chairman
Chairman of the Nominations and Governance Committee

Nationality:
Egyptian

Constituency:
Egypt: state and companies

Current Term ends in:
2024

He is the current Minister of Finance of the Arab Republic of Egypt. Dr MAAIT has a first degree in Insurance and Mathematics, M.Phil in Insurance, MSc and PhD in Actuarial Science. He is presently a visiting lecturer in different universities in Egypt, Chairman of the Egyptian Governmental Actuarial Department (EGAD), member of several government committees and board member of several companies in Egypt.

Mr Bakary KAMARA

Independent Director
Vice Chairman
Member of the Audit Committee
Member of the Nominations and Governance Committee

Nationality:
Mauritanian

Current Term ends in:
2024

Mr Bakary Kamara has served as Chairman of African Reinsurance Corporation South Africa Ltd and is the current Chairman of Africa Retakaful Company. He joined Africa Re as Secretary General of the Group in September 1984 and was appointed Group Managing Director/Chief Executive Officer in July 1993.

Mr Kamara is an Administrateur Civil (the highest category in French-speaking civil service).

Mr Kamara began his career in the insurance industry as Legal Adviser for SMAR - Mauritania's State insurance company - from 1 May to 11 November 1978. He occupied the position of Deputy Managing Director from September 1979 to January 1984, while also serving as visiting professor in third-year Business Law at the National School of Public Administration (E.N.A.) during the 1978-1979 academic year. From 1980 to 1984 he occupied the position of Director at AFARCO, a Mauritanian real estate company. From January to August 1984 he served as Technical Adviser to the Minister of Finance & Trade in charge of insurance matters and International Trade Relations. He is currently the Executive Chairman of Gras Savoye Mauritania and an International Consultant in Management, Governance and Coaching.

Mr Kamara is an Independent Director in several insurance and reinsurance companies and banks, and has been a member of various boards, councils and professional bodies. He speaks French, English, Soninke, Pular, Wolof, Hassaniya and Spanish.

Mr Kamara holds a Bachelor's Degree in General Law, Faculty of Law (Dakar), a Master's Degree in Civil Law - Business Law (Dakar), a Diploma of the Insurance Institute of Tours (France) and D.E.S.S in Insurance Law (France).

Mrs Faouzia ZAABOUL

Director
Member of the Audit Committee
Member of the Finance and Investment Committee

Nationality:
Moroccan

Constituency:
Morocco (state and companies)

Current Term ends in:
2024

Mrs Faouzia ZAABOUL is Inspector of Finance of exceptional level. She is the current Director of Treasury and External Finance at the Ministry of the Economy, Finance and Administrative Reform of the Kingdom of Morocco. Previously, she held the following positions within the same Ministry: Deputy Director of Treasury and External Finance in charge of the "Macroeconomics and Domestic Debt" Unit (2007-2010); Head of the Capital Market Division (1995-2007); Head of the Development of Financial Instruments (1994 - 1995) and Head of service for Bilateral Funding (1992-1994).

Mrs ZAABOUL occupies various positions of representation, including the following: Member of the Commission for the Transfer of Public Enterprises to the Private Sector since April 2019; Board Member of the Insurance and Social Security Supervisory Authority (ACAPS) since April 2016; Board Member of the Moroccan Capital Market Authority (AMMC) since 2016; Member of the Commission for the Coordination and Supervision of Systemic Risks since June 2015.

Mrs ZAABOUL is holder of 2éme CES in Economics; 1st year MBA, ESC, Toulouse; and ISCAE Diploma (short duration, Strategic Management)

Mr Kamel MARAMI

Director
Chairman of the Human Resources & Remuneration Committee
Member of the Nominations and Governance Committee

Nationality:
Algerian

Constituency:
Algeria: state and companies

Current Term ends in:
2024

Mr MARAMI is currently the Director of Insurance and member of the Insurance Supervisory Commission, Ministry of Finance, Algeria.

He is a professional insurer and holds degrees in Economics and Finance. Mr MARAMI equally has a Postgraduate degree in insurance.

Mr Jean CLOUTIER

Director
Chairman of the Underwriting, Risk Management and Information Technology Governance Committee

Nationality:
Canadian

Constituency:
FAIRFAX

Current Term ends in:
2024

He is the current Chairman of Fairfax International, Executive Committee Member of Fairfax Financial

Holdings Limited and Vice President of International Operations. Mr Cloutier holds a Bachelor's degree in Actuarial Science from Laval University, Quebec City. He is a fellow of the Canadian Institute of Actuaries (FCIA) and the Casualty Actuarial Society (FCAS). He represents Fairfax on numerous subsidiary and industry trade boards.

Mr Arthur Nathaniel YASKEY

Director
Member of the Audit Committee
Member of the Underwriting, Risk Management and IT Governance Committee

Nationality:
Sierra Leonean

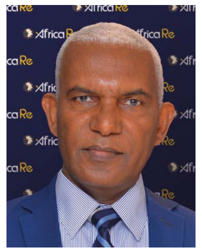
Constituency:
Anglophone West Africa (companies and 4 states) and East and Southern Africa (companies)

Current Term ends in:
2024

Mr YASKEY is currently the Commissioner of Insurance for Sierra Leone.

He has occupied many senior positions in the past, inter alia, Managing Director of the National Insurance Company and Executive Director/Chief Operating Officer of Activa International Insurance Co (SL) Ltd. He has been a member of several boards, amongst others, Sierra Leone Insurance Commission (SLICOM), WAICA Re, the Audit Committee of the University of Sierra Leone and Sierra Leone Chamber of Commerce.

Mr YASKEY has a Bachelor of Arts and an MBA from the University of Sierra Leone. He is a Fellow of the Chartered Insurance Institute of Great Britain (London) F.C.I.I.



Mr Belay TULU

Director
Member of the Human Resources and Remuneration Committee
Member of the Underwriting, Risk Management and IT Governance Committee

Nationality:
Ethiopian

Constituency:
East and Southern Africa and Sudan (12 states)

Current Term ends in:
2024

Mr Belay Tulu is the Director of Insurance Supervision Directorate at the National Bank of Ethiopia. Prior to his current position, he served as the Director of the Ethiopian Institute of Financial Studies.

Mr Belay Tulu holds a BA degree in Accounting from the Addis Ababa University. He is a Chartered Insurer designated by the Chartered Insurance Institute of London, UK and a fellow of the Fletcher School Leadership Program for Financial Inclusion.

Annual Report & Accounts 2021
Board of Directors

Mr Maurice MATANGA

Director
Member of the Finance and Investment Committee
Member of the Human Resources and Remuneration Committee

Nationality:
Cameroonian

Constituency:
Francophone West and Central Africa

Current Term ends in:
2024

Mr Maurice MATANGA is the current Chairman of the Board of Directors of CHANAS Assurance S.A. (Cameroon) since 15 November 2015. He is also Director of Strategy and Development at the National Hydrocarbons Corporation (SNH) of Cameroon, an institution in which he has held various positions since joining in 1986. He was part-time lecturer at the University of Yaounde (Cameroon) from 1987 to 1990.

Mr Maurice MATANGA holds a Master's degree in Industrial Engineering and Technological Innovation from Ecole Centrale de Paris (France). He also holds an Advanced University Degree (3ème cycle) in Energy Economics from the University of Paris-Dauphine and the National Institute of Nuclear Sciences and Techniques (France). Mr Maurice MATANGA is currently working on a PhD thesis on Energy Planning in Cameroon.

Mr Sabri Hosni AL-BAKUSH

Director
Member of the Human Resources and Remuneration Committee

Nationality:
Libyan

Constituency:
Libya, Mauritania and Tunisia (states and companies)

Current Term ends in:
2024

Mr Sabri Hosni AL-BAKUSH is the current Deputy General Manager for Technical Affairs of the Libya Insurance Company (LIC). Prior to this, he held several senior positions in the company and rose through the ranks to the current post of Deputy General Manager. In addition to being a member of several committees such as the technical committee on non-marine insurance of the General Arab Insurance Union, he has been a member of the Board of Directors of the Chadian Insurance and Reinsurance Company.

Mr Al-Bakush graduated in Economics from the Tripoli University, Libya.

Mrs Delphine TRAORE

Director
Member of the Finance and Investment Committee
Member of the Nominations and Governance Committee

Nationality:
Burkinabe

Constituency:
ALLIANZ SE

Current Term ends in:
2024

Mrs Delphine TRAORE is the current Regional CEO for Allianz in Africa, overseeing the Allianz subsidiaries across the continent.

She graduated Cum Laude Bachelor of Science in Business & Accounting from University of Pittsburgh, USA in 1996. After graduating, she joined Ohio Casualty Group of Insurance, initially as a Senior Commercial Multi-Lines Insurance Underwriter & Marketing Rep and latterly as Regional Underwriting Manager. Delphine is a Chartered Property & Casualty Underwriter from the American Institute for CPCU; in 2005 she completed her Masters of Science in Insurance Management from Boston University, Boston, MA, USA.

In 2005, she joined Allianz Global Corporate & Specialty Canada and held positions as a Liability Underwriter and Head of Market Management where she was responsible for identifying potential markets, client and broker target segments to support business development across Canada. Delphine moved to South Africa in 2012 to assume the role of CEO of Allianz Global Corporate & Specialty, Africa (the corporate industrial insurance carrier of Allianz Group). She was responsible for crafting and implementing the Company strategy across all of sub-Saharan Africa.

Mr Hassan El-SHABRAWISHI

Director
Chairman of the Finance and Investment Committee
Member of the Human Resources and Remuneration Committee

Nationality:
Egyptian

Constituency:
AXA

Current Term ends in:
2024

Mr Hassan EL-SHABRAWISHI is the current CEO / Strategic Development Officer for African business at AXA. He is also the Chairman of AXA Egypt, AXA Algeria, AXA Africa Specialty Risk, as well as board member of AXA Morocco, AXA Senegal, AXA Côte D'Ivoire, AXA Cameroon, AXA Gabon and AXA Mansard in Nigeria. Mr Hassan EL-SHABRAWISHI, who has previously occupied the position of AXA Group Chief Innovation Officer, holds an honours degree in Finance and Econometrics from Richmond University in the United Kingdom and an international MBA from IE Business School in Spain. He is a certified director from the National Association of Corporate Directors in the United States of America. Before joining AXA, he held several positions in the insurance sector and at the International Finance Corporation (IFC), a member of the World Bank Group.

Annual Report & Accounts 2021
Board of Directors

Mr Joseph VINCENT

Director
Member of the Audit Committee
Member of the Underwriting, Risk Management and Information Technology Governance Committee

Nationality:
Belgian

Constituency:
African Development Bank (AfDB)

Current Term ends in:
2024

He trained in industrial psychology and worked in the non-profit sector for 5 years. Thereafter, Mr Joseph VINCENT worked for 14 years in human resources for Japanese, American and European multinationals. For the past 25 years he has worked in senior management positions in credit and political risk insurance as well as risk mitigation of renewable energy projects. Mr Joseph VINCENT has served as Chief Underwriting Officer at the African Trade Insurance Agency (ATI) and Senior Advisor Financial Products, International Agency for Renewable Energy (IRENA). He has also worked as Senior Advisor, Regional Liquidity Support Facility - a joint project of ATI and KfW, which provides guarantees to renewable energy independent power producers.

Mr Olorundare Sunday THOMAS

Director
Member of the Underwriting, Risk Management and Information Technology Governance Committee
Member of the Nominations & Governance Committee

Nationality:
Nigerian

Constituency:
Nigeria: state and companies

Current Term ends in:
2024

Mr Olorundare Sunday THOMAS became substantive Commissioner for Insurance and Chief Executive Officer of the National Insurance Commission (NAICOM), Nigeria with effect from 30 April 2020, after his appointment as acting Commissioner in August 2019.

Prior to this appointment, Mr THOMAS was the Deputy Commissioner in charge of technical matters at the Commission from April 2017 to August 2019.

Mr THOMAS is a thorough-bred insurance professional with vast knowledge and experience in underwriting, regulation and hands-on management of human and material resources spanning over four decades uninterrupted.

During these years, he traversed the entire insurance sector in Nigeria leaving indelible marks along the way. It is during his tenure as Director – General of the Nigerian Insurers Association (NIA) between May 2010 and April 2017 that the Association successfully developed and deployed the Nigeria Insurance Industry Database (NIID) platform.

He holds a BSc (Hons) in Actuarial Science and an MBA Finance both from the University of Lagos. He is also an Associate member of the Chartered Insurance Institute, London and Nigeria, Member Society of Fellows of the CII London, Member Nigeria Institute of Management among others.

Mr Moustapha COULIBALY
Independent Director
Chairman of the Audit Committee
Member of the Finance and Investment Committee

Nationality:
Ivorian

Current Term ends in:
2024

Mr Moustapha COULIBALY is currently a senior partner with the firm BDO in Côte d'Ivoire. Previously, he was the managing partner of Grant Thornton Côte d'Ivoire (2012-2018) and COO of Deloitte & Touche Côte d'Ivoire (2000-2007).

He holds a USA CPA degree (Certified Public Accountant), an MBA degree in Finance & Management from ADELPHI University, Long Island, New York, USA; a bachelor's degree in Management and a Master's degree in Finance from the University of Abidjan, Côte d'Ivoire.

Mr COULIBALY was external auditor (Audit Partner) of the AFDB group for 25 years, external auditor of Africa Re for 8 years (as Engagement Partner) and of CICA RE for 9 years (as Engagement Partner).

He is the founder of Lycée Maurice DELAFOSSE in Abidjan, Côte d'Ivoire and served as Chairman of the Board from inception in 2004 to 2017.

Alternate Directors

Mr Pa ALIEU SILLAH
Mr Alhaji Kaddunabbi Ibrahim LUBEGA
Mrs Safaa TALBI
Mr Oussama BENAMIROUCHE
Mrs Estelle T. TRAORE
Mr Omar GOUDA
Mr Thomas HUDE
Mr Omar SEFIANI
Mr Amine BENABBOU

EXECUTIVE MANAGEMENT

Dr Corneille KAREKEZI
Group Managing Director / Chief Executive Officer

He rose to the current position of Group Managing Director and Chief Executive Officer of Africa Re in July 2011 after a transitional period of 2 years during which he served successively as Deputy Managing Director and Deputy Managing Director / Chief Operating Officer. Prior to joining Africa Re, he served on the Board of Africa Re between 2003 and 2005 while working in the primary insurance sector.

His professional career started in 1991 as Chief Accountant and Reinsurance Manager of the leading insurance company in Burundi (SOCABU s.m.), where he rose to the position of Head of the Finance Department. In 1995, he joined the leading insurance company in Rwanda (SONARWA s.a.) as Deputy Head of the Commercial & Technical Department. From 1996, he successively headed all the Technical Departments (Motor, Fire, Accidents & Miscellaneous Risks and Life) and was appointed Deputy Managing Director in early 2001. In February 2008, he was appointed Chief Executive Officer of SONARWA s.a.

Dr KAREKEZI holds a Bachelor's degree in Economics (Burundi), Postgraduate diplomas in Business Administration (UK), a Master's degree in Management (Burundi), an Honorary Doctorate in Business Administration (UK) and a Doctorate in Business Administration (France & Israel). He speaks fluently English, French, Swahili and other African languages.

Since 1996, he has contributed significantly to the development of the insurance and reinsurance industry in Africa through his involvement and leadership in various national, regional and continental initiatives and organizations. He has equally participated actively, as speaker, in seminars, conferences, symposia and other fora across the world on issues of insurance development, insurance protection gap, risk management, insurtech and leadership.

He has served as Chairman and member of governing bodies of various financial institutions in Africa. He is currently the Chairman of Africa Re (South Africa) Limited, Vice Chairman of Africa Retakaful Company (Egypt) and a Member of the Executive Committee of the African Insurance Organization (AIO) where he chairs the Finance Committee.

Mr Ken AGHOGHOVBIA
Deputy Managing Director / Chief Operating Officer

Since joining the Corporation in 1985, Mr Ken AGHOGHOVBIA worked in different capacities before rising to the position of Regional Director of the Anglophone West Africa Regional Office. He was the pioneer Regional Director of this Office when it was established in 2009 and played a pivotal role in the turnaround of the fortunes of the Regional Office, the African Oil and Energy Pool and the African Aviation Pool.

Mr AGHOGHOVBIA holds a Bachelor of Science in Insurance (Nigeria) and a Master's degree in Business Administration (Nigeria). He is an Associate (ACII) and a Fellow (FCII) of the Chartered Insurance Institute (UK).

He has been a member of various regional professional committees.

Mr AGHOGHOVBIA became Deputy Managing Director / Chief Operating Officer on 1 July 2011.

CENTRAL DIRECTORS

Ms Yvonne PALM

Director, Risk Management and Compliance

Ms Yvonne PALM joined Africa Re as Director of Risk Management and Compliance on 27 November 2019.

Prior to joining Africa Re, she served as the Lead Corporate Actuary at Travelers Syndicate Management in London, overseeing reserving, technical provisions, business planning and reporting of results to regulators and management.

She started her career at Ernst & Young in the USA, serving as the lead actuarial analyst for multinational clients including (re)insurers, captives and entities that self-insure their exposure. She went on to hold senior actuarial positions at Markel International and ACE European Group in London (UK). Her experience spans the United States, Europe and Latin America, as well as exposure to African, Middle Eastern and Australasian business through the Lloyd's platform.

Yvonne is a Fellow of both the Casualty Actuarial Society (USA) and the Institute and Faculty of Actuaries (UK). She holds a Bachelor of Arts degree from Grinnell College in the USA, where she graduated Phi Beta Kappa with Honours in both Mathematics and Economics.

Mr Phocas NYANDWI

Director, Central Operations and Special Risks

Mr Phocas NYANDWI holds a Bachelor's degree in Economics from the University of Burundi, Master's in Business Administration (MBA) from the Eastern and Southern African Management Institute (ESAMI) and a Postgraduate Diploma in Insurance from the African Insurance Institute of Tunisia (IAA).

He is a Certified Expert in micro-insurance (Frankfurt School of Finance and Management) and was an active member of the technical committee of the Association of Kenyan Reinsurers (AKR) from 2011 to 2019.

Mr NYANDWI started his career in direct insurance in Burundi, where he worked for over 10 years in various managerial positions in non-life and life. In 2008, he joined the Kenya Reinsurance Corporation (Kenya Re) as a non-life underwriter in charge of francophone markets.

He was recruited at Africa Re in 2010 as Treaty and Facultative Underwriter in the Nairobi Regional Office, which covers twelve countries in East and Southern Africa. With effect from 1 January 2017, he was appointed Assistant Director, Underwriting and Marketing in the Nairobi Office.

Mr Phocas NYANDWI was appointed Director of Central Operations and Special Risks in the head office on 1 August 2019.

Mr Raphael Uhunoma OBASOGIE

Director, Administration and General Services

Mr Raphael OBASOGIE started his career at the Port Harcourt Refinery in 1985 where he did his compulsory national service and was subsequently retained on a short-term contract.

He was HR Director designate at Elder Dempster Nigeria, Acting Head of HR at Nestle Nigeria, Corporate Industrial Relations & Employee Communication Manager at Shell Petroleum Nigeria and General Manager Human Resources at Addax Petroleum Nigeria.

Mr OBASOGIE holds a Bachelor of Science in Industrial Psychology and a Master of Business Administration (MBA). He is a Fellow of the Chartered Institute of Personnel Management (Nigeria), an Associate of the Chartered Institute of Personnel Development (UK) and a member of the National Labour Advisory Council of Nigeria.

Mr OBASOGIE joined Africa Re in November 2013 as Director of Human Resources and Administration and on 1 June 2019 he was appointed Director of Administration and General Services.

Mr David MUCHAI

Director, Finance and Accounts

Mr David MUCHAI joined the Corporation in October 2016 as Director of Internal Audit and was appointed Director of Finance in July 2019. Prior to joining Africa Re, he was a Senior Finance Manager in the Group Reinsurance Unit at Aviva Plc, London. Prior to that, he worked for ACE European Group as the European Accountant for Life Operations with responsibility for the United Kingdom and seven branches across the European Union. Mr MUCHAI also served as a Senior Audit Executive with Ernst & Young in London where he focused on the audit of Insurance Companies, Asset Management Companies and The Society of Lloyds.

Mr MUCHAI is a qualified Accountant and a member of the Institute of Certified Public Accountants of Kenya. He also holds a Master's degree in Financial Economics from Kingston University (United Kingdom).

Mr Moussa BAKAYOKO

Director, Internal Audit

Mr Moussa BAKAYOKO was appointed Director of Internal Audit in October 2020. Prior to this position, he was Assistant Director, Finance and Administration in the Regional Office of Africa Re in Mauritius from 2014 to 2020. Mr BAKAYOKO joined Africa Re in 2006 as financial controller. He later on held the positions of Group Acting Director, Finance & Accounts, and Assistant Director, Finance and Administration for the Lagos Regional office.

Mr BAKAYOKO started his career in Uniconseil (an audit firm) in 1988 and later moved to Protection Ivoirienne, an insurance company, where he was the Chief Accountant for five years, before joining Chronopost International Côte d'Ivoire in 1999 as Administrative and Financial Director.

He has acquired more than 30 years of experience in finance, audit and administration in the insurance and reinsurance sectors.

Mr BAKAYOKO holds a Bachelor's degree in economics and a Masters' degree in accounting and finance (MSTCF/DECF). He also has a postgraduate diploma (DEA) in finance. The three certificates were awarded by the University of Abidjan. He has attended various training courses in finance and accounting.

Mr. BAKAYOKO was the Best Employee of the African Reinsurance Corporation in 2014.

Mr Chris SAIGBE

Director, Life Operations

Mr Chris SAIGBE worked as a life insurance specialist in Nigeria for several years before moving to the African Reinsurance Corporation in January 2009. His experience in life insurance and reinsurance management spans over twenty-five years. He holds a Bachelor of Science in Economics from Obafemi Awolowo University and a Master's degree in Economics from the University of Lagos both in Nigeria. Mr SAIGBE obtained a Master of Business Administration from Moi University in Nairobi, Kenya. He is an Associate member of the Chartered Insurance Institute of Nigeria and a Certified Personal Financial Planner. His wealth of experience in direct life assurance operations and reinsurance comes in handy in leading the life team to fashion appropriate life reinsurance treaties and manage the reinsurance expectations of clients.

Mr Guy B. FOKOU

Director, Human Resources

Mr Guy B. FOKOU joined Africa Re in 2014 as Assistant Director, Human Resources & Administration and rose to the position of Deputy Director, Human Resources & Administration in 2018 before his appointment in June 2019 as Director of Human Resources.

Prior to joining Africa Re, Mr FOKOU was Director of Human Resources & Administration/Company Secretary at Total Energies, Cameroon where he was in charge of Human Resources, Legal & Insurance matters as well as General Services.

He started his career as HR Management Trainee at SAGA, Cameroon (now Bolloré Africa Logistics). He also worked as HR & Legal Manager at Multiprint Sérigraphie (a leading printing and communication Group of Companies in Cameroon) where he rose to the position of Group Director of Human Resources.

Mr FOKOU has also served as Assistant Director of Human Resources at Ecobank Cameroon; Regional Human Resource & Organizational Development Advisor in the Central and West Africa Regional Office of SOS Children's Villages (Yaounde-Cameroon) covering 13 countries in West and Central Africa and; Director of Human Resources at Activa Group (Insurance).

He holds a Master's degree in Business Law from the University of Douala, Cameroon; a Professional Master's Degree in Human Resource Management from ESSEC Business School of Douala and a Master's in Business Administration (MBA) from the African Leadership University (ALU) School of Business, Kigali, Rwanda.

Mr Adil ESSOUKKANI

Director, Information and Communication Technology

Mr Adil ESSOUKKANI has a Bachelor's degree in Computer Science and a Master's degree in Programme Management from ESC Lille, France. He has more than 15 years of experience in the insurance industry.

Prior to joining Africa Re, Mr ESSOUKKANI was Chief Information Officer of Saham Angola Seguros (2017-2019).

Mr Adil ESSOUKKANI has equally worked as Project Director at Saham Finances, Director of the software factory of SAHAM Finance Group, Head of IT in a leasing company (WAFABAIL), Project Manager and business analyst at AXA insurance Morocco.

He started his professional career in 1999 as an engineer in software development.

Mr ESSOUKKANI joined Africa Re in September 2019 as Director of Information and Communication Technology.

REGIONAL DIRECTORS, MANAGING DIRECTORS OF SUBSIDIARIES AND LOCAL REPRESENTATIVE

Mrs Temitope AKINOWA

Regional Director, Lagos Office

Mrs Temitope AKINOWA is an experienced oil and gas insurance specialist. She is a graduate of Insurance from The Polytechnic, Ibadan and holds a Master's degree in Business Administration from Abubakar Tafawa Balewa University Bauchi. She is an Associate of the Chartered Insurance Institute of Nigeria.

She started her career in insurance with a brief stint in Lasaco Assurance Company, and then moved on to Cornerstone Insurance where she worked for 8 years and rose to the position of Head of the Oil and Gas Unit of the company.

Mrs Temitope AKINOWA joined Africa Re as Assistant Underwriter in 2008 and rose through the ranks to become Assistant Director, Underwriting and Marketing. She was appointed as the Regional Director for the Lagos Office in April 2020.

She has attended many foreign and local seminars and presented insurance papers locally and internationally.

Mr Mohamed Larbi NALI

Regional Director, Casablanca Office

Mr Mohamed Larbi NALI joined Africa Re in July 2016. He started his career in 1993 as Director of the Life Department in Société Centrale de Réassurance (SCR). Between 1997 and 2012, he successively held many positions namely, Director of the Actuarial Department, Deputy Director in charge of Marketing and Operations. In 2012, he was appointed Managing Director of Société Centrale de Réassurance (SCR).

He is the founder of the Moroccan Association of Actuaries and was its Chairman from 2010 to 2013. Mr NALI was also the Chairman of the African Centre for Catastrophe Risks (ACCR), Vice-Chairman of the African Insurance Organisation (AIO) and Vice-Chairman of the General Arab Insurance Federation (GAIF).

He holds a Postgraduate degree in Mathematics from the Catholic University of Louvain in Belgium and a Maîtrise in Actuarial Science from the Business School of the Catholic University of Louvain.

Mr Gamal Mohamed SAKR

Regional Director, Cairo Office

Mr Gamal Mohamed SAKR joined Africa Re in July 2020 as Deputy Regional Director of the Cairo Regional Office and was promoted to the position of Regional Director in January 2021.

He started his career in 1992 in banking. He moved to insurance in 1993 and worked as Reinsurance Officer in Pharaonic Insurance. In 1999, Mr SAKR became the Head of the Reinsurance Department. He joined GIG Egypt as Reinsurance Manager in 2000 and AIG Egypt in 2002 as Property Manager. In 2007, he was recruited by Allianz Egypt as head of general insurance.

In 2013 he moved to Saudi Arabia to Rajhi Takaful, the 3rd largest insurer of the country, as Head of General Takaful. Mr SAKR returned to Egypt in 2017 and joined Misr Insurance, the largest insurer in the country, as Executive Deputy Chairman (Board Member) for Insurance & Reinsurance.

Mr SAKR holds a Bachelor's degree in Accounting from the University of Ain Shams, Cairo. He is an Associate of the Chartered Insurance Institute of London (ACII).

Mr Olivier N'GUESSAN-AMON

Regional Director, Abidjan Office

After spending seven years as head of production in life and non-life insurance companies in Côte d'Ivoire, Mr Olivier N'GUESSAN became Director of SCOR Office for French-speaking West and Central Africa. He served as Managing Director of Compagnie Nationale d'Assurance for three years before joining Africa Re in 2005 as Senior Underwriter. He was Deputy Regional Director from January 2008 to March 2011 when he was promoted to the position of Regional Director of the Abidjan Office.

Mr N'GUESSAN holds a Master's in Business Economics from Université Nationale de Côte d'Ivoire- Abidjan Cocody and a Postgraduate diploma in Insurance from the International Insurance Institute of Yaounde, Cameroon.

Mr Ephraim Kiiza BICHETERO

Regional Director, Nairobi Office

Mr Ephraim Kiiza BICHETERO started his career in 1994 as Underwriter trainee in Pan World Insurance Uganda and rose to become head of the reinsurance department. In 1998, he joined Goldstar Insurance Uganda as head of underwriting, claims and reinsurance and eventually became Assistant General Manager. In 2002, he was recruited as Head of Technical Operations in charge of underwriting, reinsurance and claims in the then United Assurance Ltd (now UAP Old Mutual General Insurance Uganda Ltd).

Mr BICHETERO joined Africa Re as Underwriter in June 2004 at the Nairobi Regional Office. He subsequently rose through the ranks to become Assistant Director Technical Operations and Deputy Regional Director. In July 2017, he was appointed Interim Regional Director and in January 2018, he became the Regional Director of the Nairobi Regional Office.

Mr BICHETERO holds a Bachelor of Arts from Makerere University, Kampala, Uganda and an Executive MBA degree from the United States International University, Nairobi, Kenya. He is also a holder of an Associate Diploma from the Chartered Insurance Institute, London (ACII). Mr BICHETERO has served as a member of many insurance technical committees in Uganda and Kenya.

Mr Vincent MURIGANDE

Regional Director, Mauritius Office

Mr Vincent MURIGANDE joined Africa Re in January 2012 as Senior Manager Underwriting and Marketing in the Abidjan Regional Office. In September 2018, he was appointed Assistant Director Underwriting and Marketing and was promoted to the position of Regional Director, Mauritius Office in April 2020.

Before joining Africa Re, Mr MURIGANDE was Managing Director of Jubilee Insurance Burundi. He started his insurance career in 1996 in SONARWA, Rwanda, where he worked in different capacities up to the position of Technical Director from 2005 to 2010.

Mr MURIGANDE holds an Executive MBA from British Institute of Management and Technology, Abidjan Campus; a Bachelor's degree in Insurance from the National Insurance School of Paris (ENASS Paris) and a Postgraduate Diploma in Insurance from the African Insurance Institute of Tunisia (IAA).

He has served as a member of many insurance technical committees in Rwanda and in member countries of the Common Market for Eastern and Southern Africa (COMESA).

Mr Andy TENNICK

Managing Director, African Reinsurance Corporation South Africa (ARCSA) subsidiary

After graduating from university in 1986, Mr TENNICK joined Swiss Re in Johannesburg as a graduate trainee. During a 14-year career, he worked in various capacities culminating in management of the underwriting and subsequently the client management functions.

He then joined the Imperial Holdings Group in Johannesburg and set up Imperial Reinsurance before moving to the Group's insurance business, Regent Insurance, as an executive director with various responsibilities including underwriting, reinsurance and risk management. He was joint CEO of the Regent Insurance Group at the time he left the Group.

Mr TENNICK holds a Bachelor of Commerce degree from the University of Cape Town.

He became Managing Director of African Reinsurance Corporation South Africa in April 2018.

Mr Yousif El Lazim GAMMA

Managing Director, Africa Retakaful

Mr Yousif El Lazim GAMMA was appointed Managing Director of Africa Retakaful, and Africa Re Local Representative in Sudan, in January 2021.

Prior to this appointment Mr GAMMA was the Acting Regional Director of the Cairo Regional Office (North East Africa and Middle East) since May 2020; he was also Assistant Director, Technical Operations, in the same office. Mr GAMMA joined Africa Re in July 2009 as Senior Underwriter in the Cairo Regional Office.

He started his career in 1991 as underwriter in the National Reinsurance Company (Sudan) where he worked for Seven years in the Non-Marine Department.

In 1998, he joined Greater Nile Petroleum Operating Company (GNPOC) as Head of Risk and Insurance Unit. In 2005, he was recruited by Savanna Insurance Company as General Manager in charge of all executive operations.

Mr GAMMA holds a Bachelor's degree in Economics (Honours) from the University of Khartoum, an MBA from the School of Business Administration (University of Khartoum) and an MBA from the German University of Cairo (GUC).He is an Associate of the Chartered Insurance Institute of London (ACII).

Mr. GAMMA has attended many seminars, workshops and conferences.

Mr Debela HABTAMU

Local Representative, Addis Ababa Local Office

Mr Debela HABTAMU started his career with the Ethiopian Insurance Corporation in 1997. He worked in different capacities and rose to the position of Executive Officer for insurance operations in various insurance companies in Ethiopia. Mr Debela HABTAMU holds a Diploma in Accounting, BA in Business Administration and Executive MBA.

He became the Local Representative of the Addis Ababa Local Office in April 2018.

Mr Mohamed Saad ZAGHLOUL

Senior Executive Officer, Africa Re Underwriting Management Agency Ltd (Dubai Office)

Mr. Mohamed Saad ZAGHLOUL was appointed Senior Executive Officer of the Africa Re Underwriting Management Agency Ltd (Dubai Office) in July 2020. He joined Africa Re in October 2018 as Assistant Director, Underwriting and Marketing in the Cairo Regional Office.

Mr ZAGHLOUL started his career in 2000 in the Egyptian Reinsurance Company (Egypt Re) as underwriter responsible for the treaty and facultative business of the Gulf Region. He later moved to Tawuniya Cooperative Insurance Co. in the Kingdom of Saudi Arabia. Later on, he played a vital role in the setting up, formation and management of two key regional reinsurers in the Gulf Region: Al Fajer Retakaful Co. (Kuwait), and Emirates Retakaful Co. (United Arab Emirates).

Mr ZAGHLOUL is a fellow (FCII) of the Chartered Insurance Institute of London and has more than 20 years of experience in both conventional and Takaful professional reinsurance across the Arab region.

Annual Report & Accounts 2021
Chairman's Statement

Dr Mohamed Ahmed MAAIT
Chairman

Chairman's Statement

I am pleased to present the 44th Annual Report of the Board of Directors of the African Reinsurance Corporation (Africa Re or the Corporation) including the 2021 financial statements. This report also includes a brief review of the Corporation's operating environment, the external auditors' report to the shareholders, as well as reports on capital management, human resources management, enterprise risk management, corporate governance, compliance and corporate social responsibility.

Operating Environment

It was very refreshing to see a turn for the better during 2021 following a very difficult 2020 that saw the outbreak of the Covid-19 pandemic. However, challenges and volatility continued to be experienced in the economic, societal and health spheres. The Board of Directors continued to work closely with Management throughout 2021 to ensure that the Corporation remained agile in its response to a very fluid environment.

The Corporation continued with the remote working environment, with all Board Meetings and the Annual Shareholders Meeting held virtually. Travel restrictions persisted in 2021 due to multiple Covid-19 waves and new variants as well as the slow rollout of vaccination. The good news is that vaccination rates for Management and Staff improved significantly with over 85% of staff fully vaccinated by 31 March 2022.

On the economic front, the world economy recorded significant recovery with global economic growth in 2021 estimated at 6.1%. This economic recovery in 2021 has however seen a sharp downturn in 2022 largely due to geopolitical conflicts among major leading powers. It is now estimated that 2022 will see global economy grow at a much lower pace of about 3.6%. African economies also recorded good recovery in 2021 with economic growth estimated at 4.5%. However, the outlook for African economies in 2022 will also be weighed down by geopolitical conflicts especially the Russia-Ukraine conflict and its impact on global supply of food and energy.

Corporate Financial Performance

The Corporation's financial performance in 2021 was very good with underwriting activities returning to pre-Covid levels. Investment returns also performed quite well as dividend payout rates returned to normal. However, there was significant pressure on some of our original currencies resulting in significant foreign exchange losses on translation to the US dollar, which is our reporting currency. Overall, the net profit for the financial year 2021 was US$ 38.82 million (2020: 55.71 million), a performance skewed by the effects of original currency depreciation by almost 50% of its level at constant exchange rates.

Gross written premium of US$ 845.35 million recorded a growth of 5.04% from US$ 804.77 million in 2020. Had the exchange rates of original currencies to the US dollar remained stable throughout 2021, gross written premium would have amounted to US$ 898.62 million thereby resulting in 11.66% growth as opposed to 5.04% mentioned above.

Net earned premium, after adjusting for the movement in unearned premium provision and retrocession, amounted to US$ 667.69 million compared to US$ 655.38 million in 2020, being an increase of 1.88%.

The Corporation's strategy on retrocession remains stable and is aimed at protection against catastrophic and large losses from classes of business with high risk exposures.

Retroceded premium during the year was US$ 174.93 million against US$ 156.38 million in 2020, being 11.87% increase. The increase in retroceded premiums was mainly due to the combined effect of growth in gross premiums plus continued growth in the Oil & Energy portfolios where the Corporation's net retention is lower compared to other classes of business. The retrocession market remained stable when compared to 2020.

Net acquisition cost, made up of brokerage fees, commissions and change in deferred acquisition costs, stood at US$ 191.49 million when compared to US$ 186.28 million in 2020. This increase in net acquisition costs of 2.80% was largely due to the recovery in the volume of gross written premiums.

The net acquisition costs ratio of 28.68% remained stable compared to 28.42% recorded in 2020.

Gross claims incurred in 2021 declined by 5.57% to stand at US$ 428.36 million (2020: US$ 453.63 million) while the gross incurred loss ratio improved significantly to 50.84% from 55.88% during 2020. The good performance is explained by a combined effect of the improvement in the quality of the portfolio underwriting in some of our key markets and the positive effect of the original currency depreciation on the paid-up and provisioned claims.

Net incurred loss ratio of 58.82% recorded similar improvements when compared to 61.79% recorded in 2020. Covid-19 related net claims incurred expenses in 2021 amounted to US$ 12.01 million (2020: US$ 22.13 million) largely arising from South Africa where ongoing court judgements necessitated increased reserves for possible claims.

Excluding the impact of Covid-19, the net incurred claims ratio would have been 57.03% (2020: 58.41%). Compared to the past four years (2020: 58.41%; 2019: 59.60%; 2018: 61.07% and 2017: 60.41%) the loss ratios in 2021 show continued improvement.

During the year, operating expenses and capital expenditure were kept within the approved budgets. Management expenses in 2021 stood at US$ 48.90 million, being a 2.40% decrease compared to US$ 50.10 million recorded in 2020. Management expense ratio, including provision for bad debts, decreased to 7.32% (2020: 7.64%).

Given the improvements in technical revenues and expenses as well as management expenses, the net combined ratio for the year stood at 94.82% compared to 97.85% in 2020. This is well within the target range set out in the 6th Strategic Plan for 2019-2023.

The Corporation's net underwriting profit (including management expenses) stood at US$ 34.56 million compared to US$ 14.04 million in 2020. This represents an improvement of 146.21%.

Investment income also recorded a very positive performance in 2021 reflecting the Corporation's balanced strategy that primarily seeks to preserve capital and liquidity whilst earning an adequate return on invested assets. Investment and other income stood at US$ 54.14 million compared to US$ 53.59 million recorded in 2020. The average investment return was 3.56% (2020: 3.91%) while the investment portfolio increased by 4.69%. The decline in return on invested assets is largely due to negative price movements on the fixed income portfolio as the markets started to price in the expected increase in interest rates.

As per the requirements of international accounting standard number 21 (IAS 21 - Effects of Changes in Foreign Exchange Rates), the Corporation recorded the impact of changes in currency exchange rates against all key operating currencies ("functional currencies") in the Profit and Loss Account. In addition, any exchange rate differences arising on the consolidation of all our operations at Group Level is recorded in the Statement of Comprehensive Income.

The total effect of exchange rate fluctuations in functional currencies recorded in 2021 was a loss of US$ 47.78 million (2020: loss of US$ 9.25 million). This loss has been recorded in the Income Statement thereby reducing the net profit for the year.

The overall net profit for the year stood at US$ 38.82 million being a 30.31% decline compared to the net profit recorded in 2020 US$ 55.71 million. This decline is primarily attributable to the impact of exchange losses arising on translation of foreign currencies to the US dollar.

Shareholders' equity remained stable at US$ 1.00 billion, with a small decline of 1.61% from US$ 1.01 billion in 2020, despite the significant foreign exchange losses of about US$ 30.51 million (2020: gain of US$ 13.35 million), recognized in Other Comprehensive Income, from the translation of items in functional currencies to the reporting currency the US dollar.

Return on shareholders' equity recorded a significant decline given the low net profit in 2021. The return on average equity stood at 3.85% compared to 5.59% recorded in 2020. This performance is lower than expected in the 6th Strategic Plan (2019-2023). However, we expect that the 2022 return to shareholders equity will revert to a range within the strategic plan.

Corporate Strategy 2019-2023 Execution

The key performance measures, such as gross premiums, net underwriting profit, combined ratio, and investment yields, recorded positive performances against the parameters set by the Board of Directors for the Strategic Period of 2019-2023. However, the average return on shareholders' equity of 3.85% achieved in 2021 was outside of the range set for Management of 5.0% to 11.4%. This was primarily due to the impact of translation of foreign currencies against the US dollar where the Corporation recorded a loss of US$ 47.78 million.

Gross Premium of US$ 845.35 million performed quite well against the range set in the strategic plan of US$ 825 million – US$ 1,267 million. Underwriting profitability as measured by the combined ratio target range of 89.3% to 98.0%, stood at 94.82% which was also well within the set range.

Other strategic objectives in all the performance areas of the Corporation have been successfully pursued. These are mostly related to the continued investment in information technology, increased proximity to our markets, improvement of operational excellence, development of our human resources, strengthening of our corporate social responsibility and many more.

A review of the 6th strategic plan carried out during 2021 by the Board and Management concluded that the key elements of the plan be maintained with no changes.

As such, the overall approach to deployment of capital and business development will Continue The Course.

Corporate Governance, Risk Management and Social Responsibility

In 2021, the Board of Directors held five plenary Board meetings and various meetings of its five committees: Human Resources and Remuneration, Nominations and Governance, Audit, Underwriting, Risk Management and IT Governance, and Finance and Investment.

The year was marked by the strengthening of the board's oversight role and guidance due to the unprecedented circumstances linked to the global pandemic. All Board and Board committee meetings were held virtually for the second consecutive year. Monthly meetings of an Ad Hoc Board Committee on Covid-19 Impact continued to be held. The board also started the refresh of the corporate strategy through an Ad Hoc Board Committee on Strategy Refresh for the period 2022-2025.

In addition, to strengthen the corporate governance documents and standards, a review of critical articles and provisions of the statutory documents was started by the Board through relevant ad hoc committees. The amendments to some current statutory provisions was necessitated by lessons learned over the past years as well as changes brought by the new and modern way of holding virtual statutory meetings. This process will continue in the year 2022 and will be completed in 2023.

In line with best international governance standards and after the approval of the General Assembly at its 41st Annual Ordinary Meeting, the Board completed the recruitment of a second independent director after the first who joined the Board in 2020. One chairs the Audit Committee while the other is Vice Chairman of the Board.

With regard to good corporate citizenship and social responsibility, the Africa Re Foundation committed US$ 3.32 million to various Covid-19 initiatives directed towards awareness campaigns, preventive measures, acquisition of medical equipment and personal protective equipment. These funds were channeled through the Africa Centres for Disease Control and Prevention of the African Union (Africa CDC), the World Health Organization, 3 African cities hosting our regional offices and 12 national insurance associations across the continent. The Africa Re Foundation continued its usual activities as found in this report.

Outlook for 2022

The key January renewals in 2022 were largely successful with a number of offices recording better than expected volumes. On the pricing of risks, terms and conditions appear to be stable in most cases and in others hardening with some classes of business witnessing increases in renewal rates. The development of Covid-19 related claims has now stabilized in most markets with most analysts projecting that Covid-19 reserve releases will be forthcoming in 2022 and future years.

Both equity and bond markets are expected to come under pressure due to inflationary pressure and the resultant hike in interest rates. The ongoing war in Ukraine is also impacting some of our markets negatively and the resolution of the conflict will be very welcome.

On the African Continent, the debt stress indicators have worsened since 2021 and inflation rates are very high. African currencies continue to experience significant devaluation pressure impacting the Corporation's prospects negatively.

However, the Board together with Management will persist with a disciplined approach to investment management coupled with improvements in underwriting and a strong capital and liquidity position. We are confident that we shall achieve a much improved performance during 2022. It is with that confidence in mind that we have recommended to the shareholders to maintain dividend payout at the same level as in 2020, at US$ 8.80 per share.

Final Note

On behalf of the Board of Directors, I would like to say thank you to all the women and men who contributed to the excellent performance achieved in 2021 in a challenging and volatile environment. Africa Re staff in all our locations, led by Dr Corneille Karekezi, the Group Managing Director and Chief Executive Officer, continued to successfully implement the corporate strategy and achieve strong performance, even when foreign exchange losses recorded their second highest level in the last two decades.

My gratitude goes to my fellow Board Directors who chose me as their Chairman in July 2021. Their trust, dedication, hard work and commitment in 2021 have been commendable. My thanks are also directed to the Corporation's Shareholders for their continued support. This reassures me that I can count on the above synergies and strengths during the coming unprecedented and difficult times the world is about to face as per many analysts.

More importantly, our thanks are addressed to all ceding insurance companies, brokers and business partners, without whom our Corporation cannot survive and thrive as it does.

Thank you.

Dr Mohamed Ahmed MAAIT
Chairman

Dr Corneille KAREKEZI
Group Managing Director /
Chief Executive Officer

MANAGEMENT REPORT

I. ECONOMIC & TRADE ENVIRONMENT IN 2021

Global Economy: Uneven Covid-19 Pandemic Recovery

The global economy continued to be largely impacted by the Covid-19 pandemic. While the development and availability of vaccines accelerated in varying degrees across developed and developing economies, the economy surpassed initial estimates projected by the International Monetary Fund (IMF) despite the identification of new variants (Delta and Omicron) of the pandemic. With the new variants escalating the infection rate, it was found to be less severe reducing the mortality rate. At the end of 2021, there were about 289 million cases with 5.45 million deaths from the pandemic with almost 88% recovering from Covid-19 infections. Globally, about 12 billion vaccines have been administered as of the time of writing this report.

The blend of fiscal and monetary policies was able to stimulate growth and private consumption. Towards the end of the year, the impact of these government policies, as well as demand and supply imbalances, led to persistent inflation which was originally projected to be transitory. The inflationary pressures were largely felt in food and energy costs as fossil fuel prices were on the rise. Using the average consumer price index as a measure of inflation, the United States recorded 4.7% (2020: 1.2%), the Euro Area recorded 2.6% (2020: 0.3%) and China recorded 0.9% (2020: 3.2%). In general, most economies recorded rising inflation and this is a threat to the expected economic recovery from Covid-19.

According to the IMF, the global economy was estimated to have grown by 6.1% which was higher than the earlier projection of 5.9% compared with the contraction of 1.6% recorded in 2020 using the real gross domestic product (GDP) as a measure of economic activity. The growth is a reflection of the economic contraction experienced in 2020. In 2021, the United States economy grew by 5.7% (2020: -3.4%), the Euro Area recorded a growth of 5.3% (2020: -6.4%) and China recorded a growth of 8.1% (2020: 2.2%). There was a general economic recovery around the world but this is expected to slow down in 2022 as governments, trying to curb the rising inflation, begin to gradually withdraw interventions that were used to spur growth at the height of the pandemic.

African Economy: Economic Uncertainty Amidst Limited Monetary and Fiscal Policy Options

Africa emerged from its first recession in 25 years as the real GDP growth grew by 6.9% following a contraction of 1.6% in 2020. However, the economy is battling the risk of stagflation – slow growth and high inflation. Based on the African Economic Outlook published by the African Development Bank (AfDB): North Africa grew by 11.7% (2020: -1.3%), West Africa grew by 4.3% (2020: -0.6%), Central Africa grew by 3.4% (2020: -0.5%), East Africa grew by 4.8% (2020: -1.5%), Southern Africa grew by 4.2% (2020: -6.0%). Overall, the African economy was impacted by the Delta and Omicron variants compounded by rising debt sustainability concerns, supply chain bottlenecks, rising commodity prices, rising inflationary pressures and tightening financial concerns.

At the end of the year, Africa recorded 9.81 million Covid-19 cases with 229 thousand deaths from the pandemic with almost 90% recovering from infections with the remaining being active cases. Africa has received about 828 million doses of vaccines with 516 million administered. Africa still needs about 1.04 billion doses of vaccines for 70% of the population to be vaccinated. The continent needs to tackle vaccine hesitancy and improve vaccine supply for its continued economic recovery. There was a gradual reopening of economies and movement restrictions were slowly relaxing across the continent.

The central governments of most African countries battled debt sustainability as they remained at high ratios estimated at 71.4% of GDP based on AfDB estimates and this was despite the support from advanced economies and development finance institutions. Most low-income economies hovered around debt distress with governments at crossroads in striking a balance between inflationary containment measures and economic growth leading to heightened uncertainty. The Covid-19 pandemic has also pushed about 29 million Africans into extreme poverty in 2021, relative to pre-pandemic projections.

There was also a significant devaluation of African currencies in the period under review due to macroeconomic pressures, especially inflation and deficits in the balance of payment. The Nigerian Naira, South African Rand, Kenyan Shilling, Mauritian Rupee, Ethiopian Birr, Sudanese Pound, West Africa CFA Franc, Central Africa CFA Franc, Libyan Dinar and Moroccan Dirham depreciated by 3.95%, 8.28%, 3.45%, 10.02%, 20.56%, 87.44%, 7.86%, 8.06%, 70.86% and 3.77% respectively. It is only the Egyptian Pound that appreciated among the major economies by 0.13%. This trend is likely to continue as the fundamentals to support growth amidst rising debt sustainability concerns are tightening.

Financial Markets: Continued Central Bank Interventions Supported by Strong Valuations

The global financial markets witnessed continued interventions of the central banks especially the US Federal Reserve Bank and the European Central Bank using different accommodative policy instruments such as assets purchase programmes and lowering of interest rates to stimulate growth for a quicker economic recovery from the disruptions of the pandemic. However, with rising inflation, there is a gradual tightening of monetary policy.

The equities market around the world recorded a strong performance around the world despite the late identification of the Omicron variant in November 2021. The significant progress made with vaccination campaigns, potency of the variant and controlled travel bans did not significantly dampen the optimism of investors. Following the gradual economic recovery, corporate earnings began to expand leading to a strong performance. The price-performance recorded for the relevant investment indices was strong on most global stock exchanges: S&P 500 (+26.89%), Dow Jones Industrial Average (+18.73%), NASDAQ Composite (+21.39%), MSCI World Index (+16.80%) and STOXX Europe 50 (+22.85%). The African exchanges also recorded improved performance with the Nairobi Stock Exchange ASI, Nigerian Stock Exchange ASI, FTSE/JSE Top 40 and FTSE/JSE ASI achieving improvement at +6.07%, +9.43%, +23.30% and +24.07% respectively.

Fixed income markets experienced more tepid returns than the equity markets due to inflationary pressures and rising yields This trend was the same across all major markets with the US Treasury 10-Years Note yield returning 1.51% at the end of 2021, compared with 0.92% and 1.92% return at the end of 2020 and 2019 respectively. There has been a moderate improvement in deposit rates in 2021 that is expected to continue into 2022. Concerning commodities, the Brent crude price appreciated by 54.51% while gold prices depreciated by 3.71% at the end of the year following the gradual global economic recovery.

Reinsurance Industry: Resilient Performance despite External Shocks and Other Industry Pressing Issues

The global reinsurance industry recorded a strong performance following the gradual recovery from the pandemic despite new variants of Covid-19. The industry achieved robust premium income growth and strong underwriting performance. This was largely driven by positive pricing momentum and improving economic recovery. Fitch, Moody's and AM Best, leading industry rating agencies, projected that the industry outlook is stable due to strong capitalization and positive pricing momentum. However, Standard & Poor's projected that the industry outlook will remain negative largely due to the inability of reinsurers to earn their cost of capital.

According to the 2021 Aon Reinsurance Aggregate (ARA) report, an index used as a proxy for the global reinsurance sector since it tracks the top 23 companies that write around 50% of the world's non-life reinsurance premiums and a large majority of the life reinsurance premiums - the gross written premium of the market grew from US$ 294 billion in 2020 to US$ 339 billion in 2021. The net combined ratio of the property and casualty (P&C) segment improved to 96.2% (2020: 103.3%) reflecting an improvement with a lower impact of the pandemic at 0.4% (2020: 8.1%) of the net combined ratio. This has taken the industry's 5-year average to 101.1%. While the impact of the pandemic was lower, the industry experienced significant natural catastrophes representing 8.4% (2020: 4.9%) of the net combined ratio that stands at an average of 8.3% over the last 5 years. With the improvements in the financial markets, ARA companies recorded a total investment return (including capital gains and losses) that improved from 3.3% in 2020 to 3.7% in 2021. Also, the ordinary investment return improved marginally to 2.4% (2020: 2.3%). In terms of profitability, the global reinsurance industry achieved a better return on equity of 10.9% (2020: 2.3%) than in recent years.

Globally, there was about US$ 116 billion in insured losses from extreme weather events split across tropical cyclones (35%), severe thunderstorms (25%), floods (18%), blizzards (15%), earthquakes

(3%), wildfire (2%) and windstorm (2%) in monetary terms as published by Gallagher Re. Africa experienced some natural catastrophe events in 2021. There were incidents of Cyclone Eloise (Mozambique, Madagascar, Eswatini and South Africa), Cyclone Guambe (Mozambique) and Cyclone Jobe (Tanzania and Seychelles). There were also earthquakes in Bejaia (Algeria) and Kabore (Democratic Republic of Congo). Floods were also recorded in many areas including Congo Brazzaville, Kenya, Côte d'Ivoire, Algeria, Tunisia, Algeria, Tanzania and Ethiopia. With the already high protection gap on the continent, the difference between the insured losses and economic losses will be significant. The real level of uninsured losses continues to be unknown due to the lack of statistics to quantify the impact of these events.

With the elevated considerations of environmental, social and governance (ESG) issues, the insurance industry is making commitments to support the net-zero targets of 2050. As part of the outcome of COP-26 in Glasgow (Scotland), insurers are including ESG considerations especially climate risks as a deciding factor in their underwriting, investing and operations guidelines. In Africa, insurance stakeholders have come together to promote the Nairobi Declaration, a declaration of commitment by African insurance industry leaders to support the achievement of the UN Sustainable Development Goals. Africa Re remains a partner working with different organisations and governments to set up natural catastrophe schemes to strengthen resilience in times of extreme weather events under a government programme.

The race to comply with IFRS 17 – Insurance Contracts (replacement of IFRS 4) is ongoing and insurance entities are at different stages of completion. IFRS 17 aims to standardize insurance accounting globally, improve comparability, increase transparency and provide better information to the users of financial statements. Like most industry players, Africa Re is exercising the option to defer the application of IFRS 9 – Financial Instruments (replacement of IAS 39) until the introduction of IFRS 17 by the 1st of January 2023 to prevent potential accounting mismatches arising from the measurement of underwriting liabilities and investments.

Africa Re in 2021: Strong Operating Performance suppressed by Depreciating African Currencies.

The Corporation recorded a growth of 5.04% in gross written premium to achieve US$ 845.35 million (2020: US$ 804.77 million). The Corporation experienced growth in all its business locations except for one of its subsidiaries, Africa Retakaful Limited. The achieved growth in the reporting currency (US Dollar) was despite the significant weakening of African currencies across the continent. Given a hypothetical scenario of constant exchange rates during 2021 against the US dollar, the Corporation would have achieved a gross written premium of US$ 898.82 million in 2021 or annual growth of 11.96%.

Our net underwriting result improved from US$ 14.04 million in 2020 to US$ 34.56 million in 2021. This improvement was due to continued success in improving the quality of the underwriting portfolio. The 2021 underwriting result would have been even better if it was not for the increase in Covid-19 related claims' incurred but not reported reserves (IBNR) and for the July 2021 riots in Durban, South Africa.

In the period under review, the Corporation achieved a net combined ratio of 94.82% (2020: 97.86%) which is an excellent performance when compared to peers in the reinsurance sector. The ARA companies achieved a net combined ratio of 96.20% (2020: 103.30%). Over the last 5 years, the Corporation has recorded an average net combined ratio of 96.12% (ARA companies: 101.10%). On Covid-19, the Corporation's net exposure stands at US$ 24.59 million (2020: US$ 22.13 million) predominantly from South Africa due to judicial interpretation and legal guidance in that market. At the moment, most of the Covid-19 claims' exposures in South Africa are held as reserves for potential outstanding claims.

Investment income was relatively stable in 2021 despite the global uncertainty. The investment income grew from US$ 53.59 million in 2020 to US$ 54.14 million in 2021 representing an average investment return of 3.56% (2020: 3.91%). This is in line with the Corporation's investment philosophy that prioritizes the preservation of capital and liquidity. The equities portfolio recorded a strong performance due to positive price movements and better dividend payout rates. On the other hand, there were significant pressures on the bond portfolio due to the expected increase in yields. Indeed, though the persistently low returns on cash instruments continued for most of 2021, towards the end of the year, there were signs of rising interest rates and tapering of the assets repurchase programmes of the US Federal Reserve Bank and the European Central Bank.

The Corporation's yields across investment assets were lower than 2020, except for equities. The Corporation achieved 2.10% on cash instruments (2020: 3.02%), 2.98% on fixed income (2020: 4.31%), 12.86% on equities (2020: 6.56%) and 7.17% on investment property (2020: 9.76%).

Overall, the Corporation recorded a net profit after tax of US$ 38.82 million (2020: US$ 55.71 million). As a result, the Corporation achieved a Return on Average Equity of 3.85% (2020: 5.59%). The decline in returns on average equity, despite the strong operating profit – before foreign exchange losses and tax of US$ 88.70 million (2020: US$ 67.63 million), was due to the impact of foreign currency exchange losses. In 2021, the Corporation recorded a currency translation loss impacting the net profit of US$ 47.78 million compared with the loss of US$ 9.25 million recorded in 2020. This significant negative variation from the previous year is primarily driven by macroeconomic pressures on African Economies and the strength of their currencies as they start to emerge from the Covid-19 pandemic.

In 2021, the shareholders' fund declined marginally by 1.61% from US$ 1.02 billion to US$ 1.00 billion due to the negative impact of the depreciating African currencies on the Corporation's equity, with an additional currency translation reserve of US$ 30.58 million, which is the second highest in the past two decades. To manage this risk, Management has deployed mitigation measures which have unfortunately proven to be ineffective when there is a significant depreciation of major African currencies at the same time and a shortage or inaccessibility of US Dollar funds in the concerned economies.

The Corporation maintained its dividend per share of US$ 8.80 as declared in 2019 and 2020. The average dividend payout ratio over the last 10 years is 31.14%, reflecting a conservative dividend distribution policy stance adopted by the Corporation.

Social Responsibility in 2021: Continued Support to Industry Stakeholders

The Africa Re Foundation continued to fulfill its mandate to our industry stakeholders in the period under review across different one-off and recurring annual initiatives. The Foundation continued the disbursement of the pledged Covid-19 intervention of US$ 3.32 million. As part of the development of talents in the industry, the Foundation concluded the third cohort of the Young Insurance Professionals Programme. The fourth cohort will start in 2022 and this brings the total enrolled participants since inception to 3,250 from over 46 African countries.

There are ongoing initiatives with insurance regulators and continued support for market research and industry excellence awards. While the 2021 African Insurance Awards could not hold due to the movement restrictions as containment measures for the Covid-19 pandemic, the industry recognition event will return in 2022 alongside the African Insurance Organisation annual conference to be held in Nairobi (Kenya). The Africa Re Foundation based in Mauritius was established in 2018 from the in-house Africa Re Trust Fund created in 2014. The Foundation continues to promote initiatives that align with our corporate mission by focusing on risk management for development.

Corporate Strategy: Rethinking Today and Repositioning for Tomorrow

The global disruptions occasioned by the Covid-19 pandemic continued into 2021 and this has significantly impacted the underlying macroeconomic assumptions of the 2019 – 2023 strategic plan horizon. Apart from the macroeconomic impact, the reinsurance industry was experiencing declining technical margins coupled with new developments, especially compliance requirements and competitive considerations. This led to the ongoing strategic plan being truncated and Management developed a 2022 – 2025 strategic plan that was recently approved by the Board of Directors.

By 2025, apart from keeping its African reinsurance industry leadership in financial performance, quality of offered security, and services to customers, the Corporation aspires to become the leading risk transformer in Africa providing bespoke risk management solutions to our clients and other stakeholders for African economic development using a blend of traditional, innovative and emerging product offerings that competes favourably with local, regional and international players.

The above strategy will be supported by a robust customer engagement framework, distribution network, risk appetite, underwriting capacity and underwriting expertise. The strategic plan is built on the long-term vision that mobilizes resources to position Africa Re as the risk transformer, strategic partner and thought leader of the continent in the insurance and reinsurance sectors.

The strategic initiatives to drive this strategic plan are built on four themes. Firstly, as a market leader, Africa Re will continue to develop people expertise for all relevant stakeholders, especially for its clients and employees, through existing channels and new channels. This will help to continuously address the talent shortages on the continent. Secondly, the Corporation will continue to remediate the portfolio in difficult markets and grow where possible. Africa Re will continue to collaborate with peers to ensure risk-adequate pricing with the right terms and conditions for market participants. Thirdly, there are emerging classes of risks for which there is a significant protection gap on the continent. Africa Re will continue to seek partnerships and deploy capacity for products such as kidnap and ransom, political violence and terrorism, agriculture, cyber and other needs of the market. Finally, the Corporation also intends to support initiatives that expand the size of the African insurance market which has the potential to grow the reinsurance market. This includes supporting digitization initiatives of InsurTech companies as collaborators, developing innovative products with the government to address existing and emerging risks through addressing the protection gap and building strategic partnerships with development finance institutions and capital providers to boost economic development in line with the corporate mission.

2022 Outlook: Economic Uncertainty supported by Economic Resilience

The recent geopolitical tensions from the ongoing war in Ukraine have added another layer of complexity and uncertainty to the slowing global economic recovery from the Covid-19 pandemic. The expected economic expansion will continue at a much slower pace with IMF projecting global economic growth of 3.60% (2021: 6.10%). It is expected that monetary policy tightening, and financial market correction and volatility will continue due to the persistent inflationary pressures from demand and supply imbalances as well as supply chain disruptions. There are however concerns about the economic trajectory of China in the coming years with the challenges in the property market as this is a potential risk for the global economy.

In Africa, the limited policy options for governments due to debt burdens, inflation and currency depreciation are going to be significant. We also have election cycles in 2022/2023 from major economies that are prone to violence, based on past experience, leading to economic shocks.

The impact of the war in Ukraine has also led to food security concerns and policymakers need to deploy country by country interventions based on exposure to the war, the state of the pandemic and the strength of the recovery.

The continued devaluation of African currencies is also expected to continue in 2022.

Overall, the AfDB has projected that the growth rate of the African economy will decelerate in 2022 to 4.1% (2021: 6.9%) due to uncertainties associated with low COVID-19 vaccination rates, rising costs of climate change effects, and volatilities in the global financial markets caused by the Russia–Ukraine conflict.

The financial markets have also shown signs of weakening, with some analysts already predicting a significant correction and or an economic recession, as central banks begin to taper their interventions at the height of the pandemic and war in Europe. It is expected that there will be a gradual increase in interest rates and global stocks sellout will continue. The level of uncertainties is quite elevated and as always, the Corporation will remain disciplined and prudent in its investment approach. We hope to achieve a total investment return between 2.5% and 3.0% as the preservation of capital and liquidity remains our investment philosophy.

The African reinsurance market has been growing at a faster rate in local currencies, but this growth is reduced for entities that report in US dollars or even more for those who have their premium income in local currencies converted to US dollars. The industry has however been experiencing declining underwriting performance due to fierce competition, inadequate premium rates, rising claims costs, economic instability and political uncertainty.

The Corporation had a largely successful January and April 2022 renewals with some offices recording gains in the expected premium income. The terms and conditions remain favourable overall, despite the negative effect of competition in most markets. If this pattern continues throughout the remaining renewal seasons of 2022, it is projected that the Corporation will achieve a gross written premium growth of about 5% over 2021 performance in US dollar terms with a net combined ratio between 95.00% and 98.00%.

The Corporation is keeping pace with all compliance-related objectives with the ongoing implementation of new accounting standards (IFRS 9 & 17). There are ongoing efforts to consolidate existing ESG commitments and define a strategic orientation with annual disclosure plans soon. Increased compliance with relevant data protection regulations is in the works.

In the digital space, the Corporation is collaborating with industry stakeholders to explore and exploit the benefits of distributed ledger technology for the insurance industry under the African Reinsurance and Insurance Blockchain Initiative (ARIBI).

Africa Re remains confident in the objectives of the African Continental Free Trade Area as a vehicle to unlock new growth channels on the continent. We will continue to engage relevant stakeholders for the success of this project in the short, medium and long terms.

Overall, Africa Re remains resilient to weather the storm to achieve comparable or even better returns as it has always done in recent history. The Corporation will be implementing its 2022 – 2025 strategic plan using the right blend of human capabilities, employee incentives and relevant investments to achieve the set strategic objectives.

The Corporation remains well-positioned to fulfill its mission to the continent.

Annual Report & Accounts 2021
Management Report

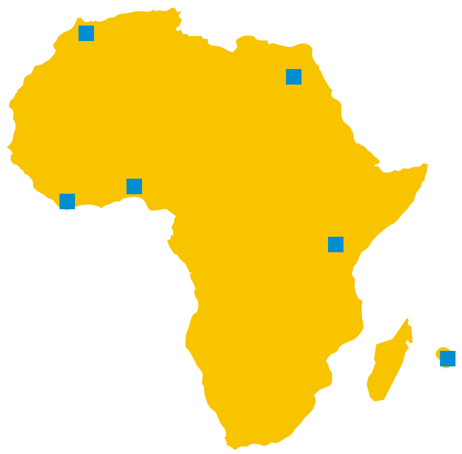
II. TECHNICAL OPERATIONS

The Corporation's operating results are examined in this section and compared to 2020 figures.

Africa Re operates through a network of eight offices strategically located in the continent. Activities in a number of African markets situated within a common geographical area are coordinated by an office in the region. Closeness to clients in each location gives Africa Re a unique leverage over its peers, to provide credible and efficient services to insurance markets in the continent.

Africa Re adheres to best practices in every facet of its business. Cedants reciprocate its long term commitment to the continent by granting the Corporation access to profitable and diversified business in Africa, and to a lesser extent, Asia, the Middle East and Brazil.

The Corporation operates from the following production centres:



Six regional offices:

- Lagos, Nigeria: Anglophone West Africa;
- Abidjan, Côte d'Ivoire: Francophone West and Central Africa;
- Casablanca, Morocco: Maghreb;
- Cairo, Egypt: North East Africa and the Middle East;
- Nairobi, Kenya: East Africa and parts of Southern Africa; and
- Ebene, Mauritius: African Indian Ocean Islands, Portuguese-speaking African market, Asia and Brazil.

Two wholly owned subsidiaries

- Johannesburg, South Africa: South Africa and neighbouring markets, handled by the subsidiary - African Reinsurance Corporation (South Africa) Limited;
- Cairo, Egypt: Africa, Asia and the Middle East Retakaful markets handled by the subsidiary - **African Retakaful Company**.

One local office

- Addis Ababa, Ethiopia.

Two underwriting office

- Kampala, Uganda.
- Dubai, United Arab Emirates.

The portfolio of insurance risks accepted by the Corporation can be broadly classified along the following business lines:

- Fire & Engineering
- Accident & Motor
- Oil & Energy
- Marine & Aviation; and
- Life

The table below provides a summary of the Corporation's performance

Description (US$000)	2021			2020		
	Gross	Retro	Net	Gross	Retro	Net
Income						
Premium (less cancellations)	845.35	-178.97	666.38	804.77	-153.68	651.10
Change in unearned premium provision	-2.72	-4.04	1.32	6.98	-2.70	4.28
Earned premium	842.63	-174.93	667.70	811.75	-156.38	655.38
Outgo						
Losses paid	-382.35	33.45	-348.90	-413.97	64.30	-349.67
Change in outstanding claims provision (incl. IBNR)	-46.01	-2.16	-43.85	-39.66	-15.64	-55.29
Incurred losses	-428.36	35.61	-392.75	-453.63	48.66	-404.97

Premium income

In 2021, the Corporation generated a gross written premium income of US$845.35 million which is 5.04% more than the 2020 production of US$804.77 million, mainly due to the mild economic growth witnessed by most countries in Africa as they recover from the slowdown of business due to the Covid 19 pandemic.

Fluctuations in exchange rates adversely impacted the Corporation's production by US$53.47 million as the Sudanese pound, the Libyan dinar, the South African rand, the Turkish lira, and the Ethiopian birr weakened against the US dollar among other currencies.

In the second half of 2021, sub-Saharan Africa's economic recovery was better than expected, causing a major upward adjustment in last year's expected growth, from 3.7% to 4.5% according to the figures from the International Monetary Fund's report.

South Africa was predicted to grow by 5% in 2021 but ended with a 4.9% growth compared to the 2020 figures. The strong performance in the first half of 2021 did not continue in the second half because of the third COVID-19 wave and the unrest in July, with only a slight rebound in the fourth quarter. However, this recovery was insufficient to offset the 6.7% real GDP reduction in 2020 due to the pandemic.

Nigeria's real GDP is estimated to have increased by 3.6% in 2021, a significant improvement compared to the 1.8% negative growth of 2020 due to the pandemic. This improvement is due to higher oil prices and a stronger-than-expected rebound in industry and agriculture

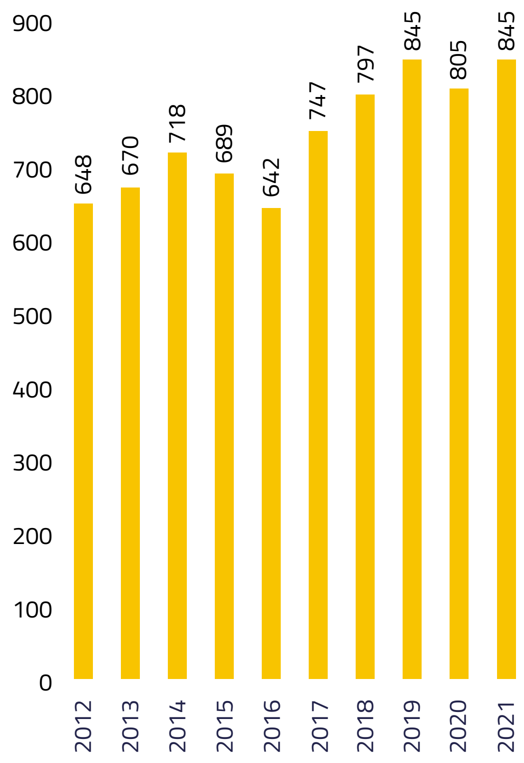
Egypt's GDP growth for the entire fiscal year is estimated at 3.3% in 2021 following the 3.6% increase in 2020, thanks to the robust economy as the government continues the "Egypt Takes Off" program.

Kenya's economy was hurt by the COVID–19 pandemic in 2020 when GDP dropped by 0.3%. However, its economy recovered in 2021, with a 7.2% growth.

After going down by 6.3% in 2020, Morocco's GDP grew by 7.4% in 2021. A successful cereal crop season caused this rebound after two consecutive years of drought in addition to strong exports and remittances, policies that helped the economy, and a significant increase in COVID-19 vaccinations. Average annual inflation stayed at 1.4%, but cost-push pressures from imported goods started to show up at the end of 2021.

Africa Re is the leading African reinsurer and the only local security on the continent backed by A rating from AM Best and A- rating from S&P. Accordingly, the Corporation will continue to build its expertise in emerging and specialty lines with the view to providing African insurance markets with capacity and technical support in new products and special risks. Concurrently, in the coming years, the Corporation will continue to deploy its resources in order to maintain and increase its existing portfolio lines.

Development of gross written premium in US$million

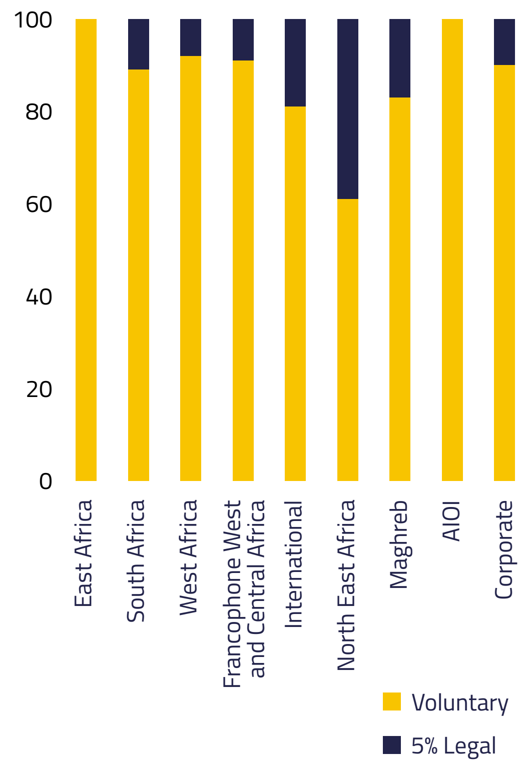


Legal (Compulsory) Cessions

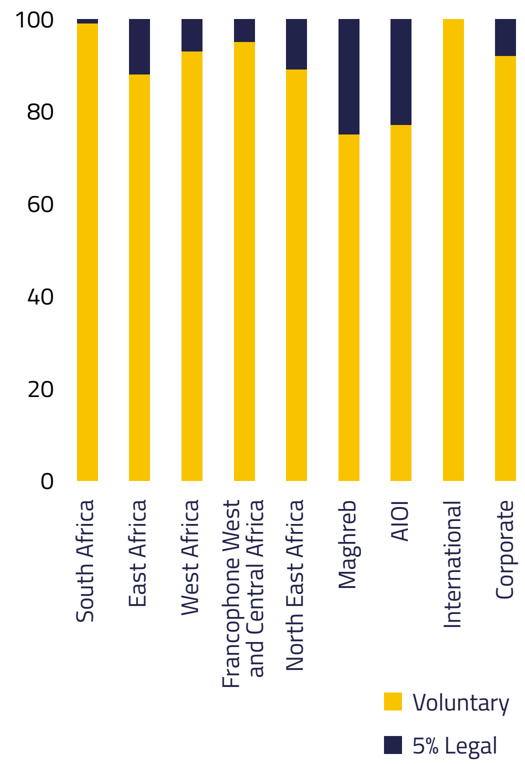
In 1976, when Africa Re was established by 36 member states, as an initiative of the African Development Bank, it had to compete with much larger foreign reinsurers with ties to former colonies. The rationale for setting up the Corporation, which is still paramount to date, is to reduce the outflow of premium income from the continent. To ensure its survival among these well-known larger brands, the Corporation was granted, at inception, 5% of every reinsurance treaty emanating from member states (the number of member states has risen to 42).

Compulsory cessions presently account for 9.9% of gross premium income.

Financial year 2021



Financial year 2020



Geographical distribution

Africa Re operates from a network of six regional offices, two subsidiaries, one local office, and two underwriting offices. The Corporation accepts business from cedants across Africa, as well as selected markets in Asia, the Middle East and Brazil.

Southern Africa
The African Reinsurance Corporation, South Africa Ltd (ARCSA) in Johannesburg, oversees operations in Botswana and the rand zone. The subsidiary is Africa Re's second highest premium provider with a contribution of 16.36% to the overall group turnover in 2021. In the year under review, ARCSA generated US$138.29 million (2020: US$128.99 million), representing an increase of 7.21% over last year's income. This increase is mainly due to the strengthening of the rand during the year and the ongoing implementation of the turnaround strategy to improve profitability.

East Africa
Production from this region increased by 3.02% to US$191.16 million (2020: US$185.56 million). This figure accounts for 22.61% of the corporate income, making the office the highest premium provider in 2021.

Anglophone West Africa
Premium income from this region was US$130.34 million (2020: US$127.93 million), representing a 1.88% increase over the previous year. This turnover accounts for 15.42% of the corporation's production. The negative impact of exchange rate fluctuations was -US$3.02 million driven by the depreciation of the Nigerian naira.

Maghreb
Production from the Maghreb increased by 4.62%, to US$71.05 million (2020: US$67.91 million). Premium income from the region accounts for 8.41% of the corporation's production. Exchange rate fluctuations had a negative impact of US$8.84 million on the production due mainly to the sharp depreciation of the Libyan dinar.

North East Africa
Domestic production from the Cairo Regional Office grew marginally from US$39.03 million in 2020 to US$39.86 million in 2021 due to continued pressure from competition. The impact of rates of exchange fluctuation was marginally negative at US$0.07 million. Income from North East Africa accounts for 4.72% of corporate production.

Francophone West and Central Africa
The Abidjan Office is responsible for the predominantly French-speaking region of West and Central Africa. Turnover increased by 12.73% from US$97.20 million in 2020 to US$109.58 million in 2021. This growth was achieved due to the expansion in the Energy sector. Income from this region accounts for 12.96% of corporate production.

African Indian Ocean Islands
Income from the African Indian Ocean Islands and Lusophone African markets, increased from US$29.36 million in 2020 to US$30.61 million in 2021. Business from this office accounts for 3.62% of the Corporation's turnover. .

Africa Retakaful
The turnover of Africa Retakaful decreased from US$43.68 million in 2020 to US$32.28 million in 2021. This underperformance is mainly due to the adverse impact of fluctuation of rates of exchange to the tune of US$21.70 million, largely arising from the depreciation of the Sudanese pound.

International Business & African Pools
Africa Re's income from international business increased from US85.11 million in 2020 to US$102.18 million in 2021. Production from the Middle East was US$47.15 million in 2021 (2020: US$38.00 million). Income from Asia increased from US$43.77 million in 2020 to US$48.95 million in 2021. Production from Brazil increased from US$3.34 million in 2020 to US$6.07 million in 2021.

Geographical distribution of gross premium

- South Africa **17.7%** *(2020: 16.0%)*
- East Africa **22.6%** *(2020: 23.1%)*
- West Africa **15.4%** *(2020: 15.9%)*
- Francophone West and Central Africa **13.0%** *(2020: 12.1%)*
- North East Africa **8.5%** *2020: 4.9%)*
- Maghreb **8.4%** *(2020: 8.4%)*
- AIOI **2.2%** *(2020: 3.7%)*
- International **12.1%** *(2020: 10.7%)*

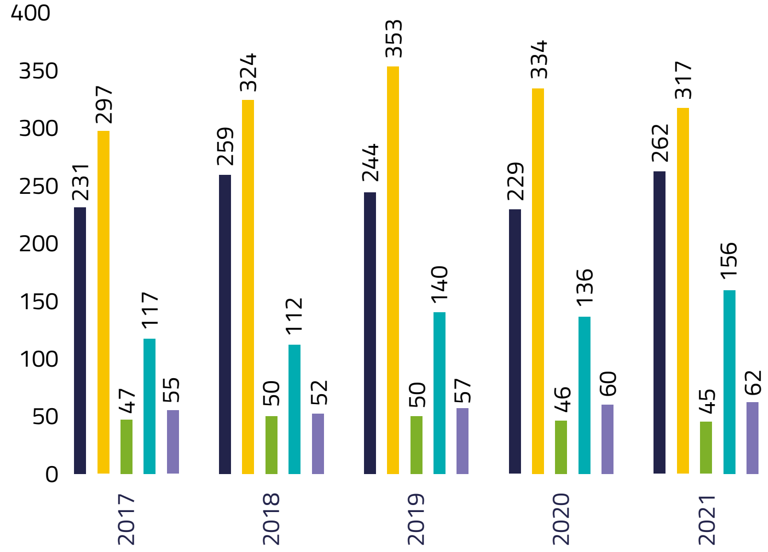
Sectoral distribution

Fire and Engineering class continued to produce the highest turnover with US$317.21 million representing 37.52% of corporate production as against US$334.09 million or 41.51% in 2020. This is followed by the Accident and Motor class, which stood at US$262.18 million or 31.01% of corporate income (2020: US$228.91 million representing 28.44%).

Oil & Energy class is third with a production of US$159.40 million or 18.86% of turnover (2020: US$$135.55 million representing 16.84%).

The Life class is fourth with US$61.93 million or 7.33% of turnover (2020: US$60.45 million or 7.51%) while the Marine and Aviation class follows with US$44.61 million, which is 5.28% of corporate production (2020: US$45.77 million representing 5.69%).

Premium by class in US$million



- Accident & Motor
- Fire & Engineering
- Marine & Aviation
- Oil & Energy
- Life

Technical expenses

Losses

Total gross claims paid decreased from US$$413.97 million in 2020 to US$382.35 million in 2021.

Gross claims paid ratio reduced from 51.00 % in 2020 to 45.23% in 2021. Gross incurred losses, which include movement in outstanding claims provision (US$39.66 million in 2020 as against US$46.01 million in 2021) amounted to US$428.36 million in 2021 (US$453.63 million in 2020).

The table below provides insight into the previously stated indicators.

Gross loss ratio by class - financial year 2021 currency : US$m

Class of business	Regional business			International inward			Total corporate		
	Incurred loss	Earned premium	Loss ratio %	Incurred loss	Earned premium	Loss ratio %	Incurred loss	Earned premium	Loss ratio %
Fire / Eng.	141.52	260.16	54.40%	33.56	56.98	58.90%	175.09	317.14	55.21%
Accident motor	147.98	237.33	62.35%	8.56	23.39	36.61%	156.54	260.72	60.04%
Oil & Energy	27.48	144.62	19.00%	9.34	11.10	84.14%	36.82	155.72	23.64%
Marine & aviation	7.31	39.69	18.41%	3.27	6.10	53.66%	10.58	45.79	23.10%
Life	47.02	62.40	75.36%	2.31	0.86	269.40%	49.34	63.26	78.00%
Total	**371.32**	**744.20**	**49.89%**	**57.05**	**98.42**	**57.96%**	**428.36**	**842.63**	**50.84%**

Loss Experience by Trading Area

The gross incurred loss ratio for the subsidiary in South Africa decreased slightly from 63.0% in 2020 to 62.0% in 2021 and the net incurred loss ratio also decreased from 62.9%. to 59.7%.

The gross incurred loss ratio of the West Africa Regional Office decreased from 43.5% in 2020 to 26.0% in 2021. The net incurred claims ratio increased from 49.3% in 2020 to 57.9% in 2021.

The gross and incurred loss ratios of the East Africa Office increased to 70.5% and 71.8% in 2021 from 55.9% and 56.1% respectively in 2020.

The Maghreb region's gross loss ratio decreased to 50.34% in 2021 from 51.1% in 2020 and the net loss ratio decreased to 54.9% from 55.3%.

The gross incurred loss ratio of North East Africa increased from 30.8% in 2020 to 39.4% in 2021 and the net loss ratio increased from 52.2% to 64.5%.

The gross incurred claims ratio of the predominantly Francophone West and Central Africa Office increased from 36.3% in 2020 to 37.8% in 2021 and the net loss ratio decreased from 50.5% to 41.0% in 2021. The net incurred claims ratio decreased due to a favourable claims experience during the year.

The gross claims ratio of the African Indian Ocean Islands and Portuguese speaking African countries (Angola and Mozambique) decreased from 58.8% (net: 58.7%) in 2020 to 37.1% (net: 40.3%) in 2021.

The gross incurred claims ratio of Africa Retakaful Company decreased to 37.7% in 2021 (net : 36.0%) from 75.5% in 2020 (net: 74.2%).

The gross and net incurred loss ratios of the international operations decreased from 111.8% and 106.4% in 2020 to 50.8% and 58.8% in 2021. The decrease was mainly driven by the Middle East and South America loss experience with gross and net incurred loss ratios improving from 107.5% & 117.7% to 59.0% & 57.3% respectively.

Commissions and Charges

Gross commissions and charges including movement in deferred acquisition costs amounted to US$224.4 million (2020: 216.5 million) while retro commissions and charges stood at US$32.9 million (2020: US$30.3 million). Accordingly, net commissions and charges increased from US$186.3 million in 2020 to US$191.5 million in 2021.

III. INVESTMENT INCOME

Portfolio performance

The global economy recovered in 2021 from the damages of the COVID-19 pandemic. World Gross Domestic Product (GDP) growth of 2021 is estimated at 6.1% (World Economic Outlook, April 2022) thanks to higher consumer spending and ease in supply disruptions. However, it was distorted at the end of 2021 by rising inflationary pressures and geopolitical tensions, notably the Russia – Ukraine conflict. Furthermore, the highly transmissible Omicron variant of COVID-19 and vaccine inaccessibility especially in developing countries faded growth at the end of year.

GDP growth in 2022 (expected to decelerate to 3.6%) is highly clouded by the escalating Russia-Ukraine war, rising inflation across the globe and supply chain disruptions among other factors. The response of Central Banks through monetary tightening by developed countries leads to higher borrowing cost and further restrains the fiscal space of developing countries to support full recovery.

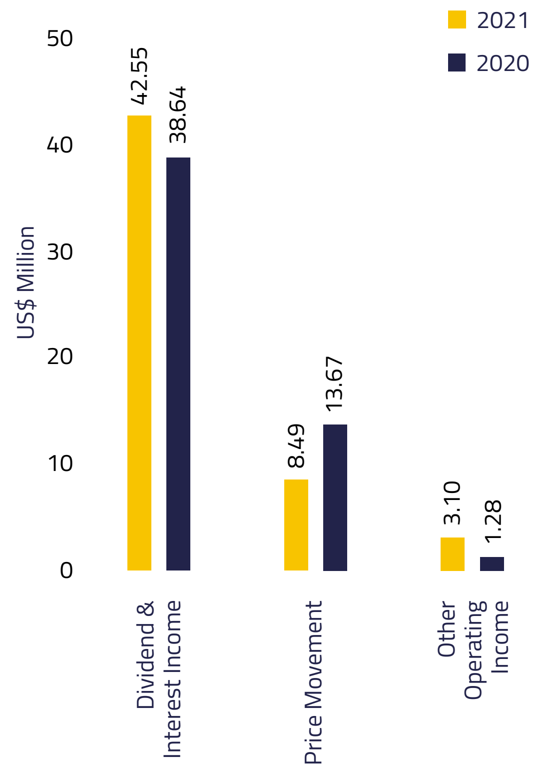
Commodity prices soared in 2021 with prices of several commodities reaching all-time highs. Energy prices surged in the second half of 2021. Natural gas and coal prices increased speedily, driven by a rebound in demand and supply constraints, although coal prices retroceded toward the end of the year. Metal prices have diverged, with iron ore peaking and then falling amid China's restrictions on steel production, and most base metal prices boosted by robust demand.

The US dollar recorded its best performance in over five years. The dollar index was up 7% supported by improved economic data in USA. The euro was quite strong in 2021, especially against the sterling. However, it lost value towards the end of the year and weakened against other major currencies. The Japanese yen recorded the worst performance against the US dollar. The yen experienced a significant loss of value falling to a four-year low with the downtrend increasing after September. In March and early June, the pound against the US dollar increased to an all-time high of $1.40 before falling to $1.30. Among the transactional currencies of the Corporation, the Sudanese pound and the Ethiopian birr lost the most against the USD by 87.44% and 20.56% respectively. The Egyptian pound (EGP) remained flat but was devaluated in March 2022.

The value of the investment portfolio at 31 December 2021 was US$1.47 billion (31 December 2020: US$1.40 billion). The value of the portfolio continues to grow because of positive investment income and net inflows from underwriting activities.

Total investment & other income reached US$54.138 million (2020: US$53.591 million) supported by growth in assets under management, interest coupon from the fixed income portfolio and positive price movements on the equity portfolio. Consequently, the investment portfolio recorded a yield of 3.56% during 2021 (2020: 3.91%). The graph below details the performance of the year under review compared to last year.

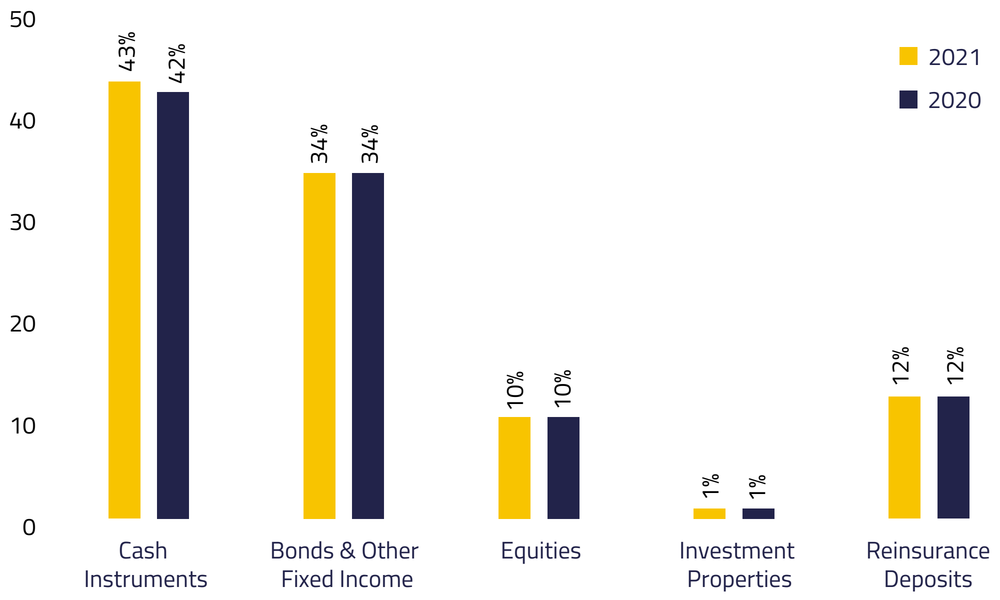
Investment & Other Income



Asset composition

The composition of the investment portfolio remained largely unchanged from previous years (Equity Securities: 10%; Fixed Income: 34% and Investment Properties: 1%) reflecting the stability of the Corporation's Strategic Asset Allocation Policy. The proportion of Investment Properties is expected to increase marginally in the coming years as properties currently under construction are completed. However, this will remain within the maximum allowed proportion of 3% of total investment portfolio.

Asset Composition



Long term investments

The Corporation continues to support the socio-economic development of the African continent by, amongst others, allocating its long-term equity investments to African entities or those contributing directly or indirectly to the growth of economic activities in Africa. The Corporation's total commitment to private equity stood at US$56.05 million invested in a portfolio of 20 companies made of the following:

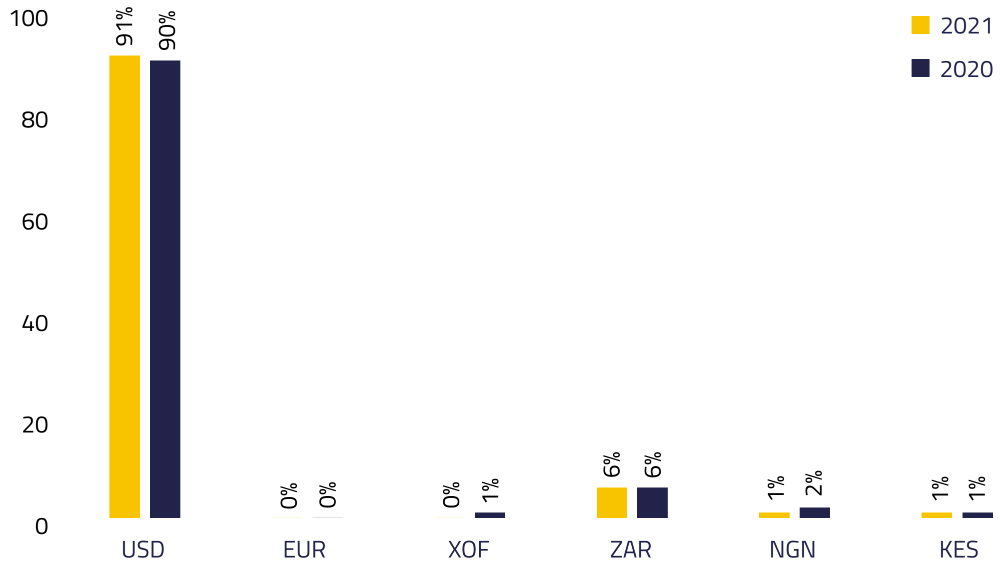
- five (5) regional development finance institutions: Shelter Afrique, Trade Development Bank, Afreximbank, African Trade Insurance Agency and Africa Finance Corporation
- two (2) insurance companies: Allianz Vie (Cameroon) and Gepetrol Seguros SA (Equatorial Guinea)
- One (1) pension fund administration company (ARM PFA, Nigeria),
- Eleven (11) private equity funds (CAPE II, CAPE III, CAPE IV, AFIG I, AFIG II, ECP Africa Fund III, ECP IV, Adlevo Capital, PAHF, Carlyle Africa fund and AAF SME Fund) and
- One (1) Blockchain Insurance Industry Initiative (B3i Services AG, Switzerland)

Equity instruments

Equity market performance was exceptional in 2021, led by U.S. large-cap securities which returned nearly 29% for the year. This performance comes on the back of strong years, when the S&P 500 index returned 31% and 18% in 2019 and 2020 respectively.

The equity portfolio is madeup of listed and non-listed securities. Its value increased by 7.69% compared to December 2020 supported by positive valuations.

Currency Exposure of Equity Portfolio



Looking at the currency exposure of the equity portfolio, the US dollars remains the dominant investment currency.

Bonds and other fixed income

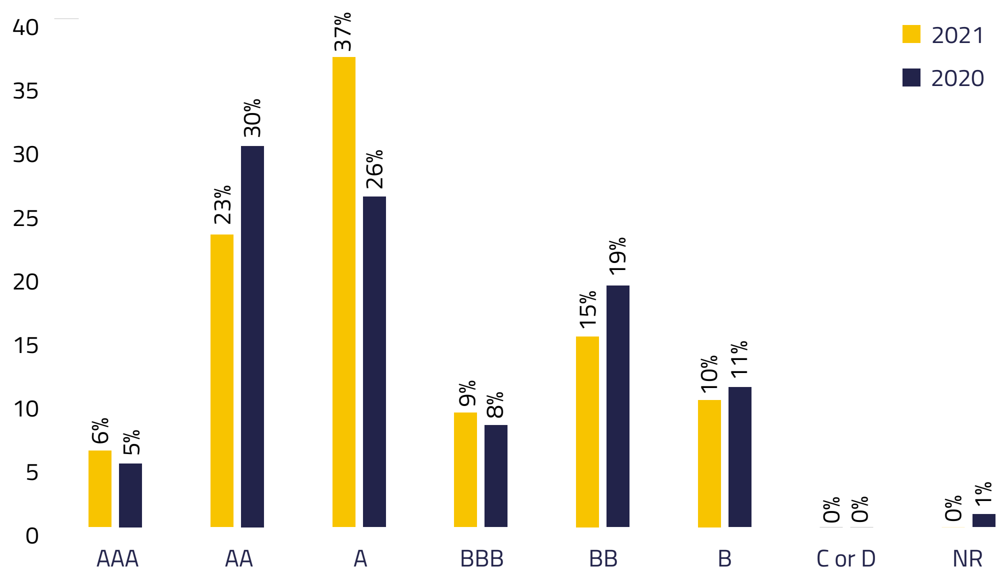
The performance of the bond market was impacted by increased monetary tightening by central banks which pushed yields further up.

The size of the bond portfolio increased by 7.20% to stand at US$510.059 million at 31 December 2021 when compared to US$475.784 million in 31 December 2020.

The value of the bond portfolio in North America reduced on the back of negative price movements on marked to market securities. The rise in yields across tenors brought negative returns on the 2, 5, 10 and 30-Year instruments.

The quality of the portfolio remained at investment grade in line with the Corporation's policies. The graph below shows the allocation per rating category for 2021 and 2020.

Bond Portfolio Credit Profile



Cash and Cash Instruments

The cash instruments portfolio increased by 3.33% year on year from US$594.933 million at 31 December 2020 to US$614.769 million at 31 December 2021 supported by positive cashflows from operations and interest income. The allocation of cash assets between developed economies and Africa remain in line with the requirements of the investment guidelines and Asset Liability Management policies.

Other Operating Income

Other operating income of US$3.10 million (2020: US$1.28 million) represents income received from the management of the various African Insurance Pools and other sundry income.

Outlook

For the financial year 2022, we expect interest rates rise to affect the performance of the bond portfolio while benefiting the cash instruments category of assets. The performance of the equity portfolio is expected to come under pressure as yields on bonds start to rise. All in all, we remain optimistic that the investment strategy will continue produce positive results.

IV. RESULTS OF THE 2021 FINANCIAL YEAR

Gross written premium income in 2021 of US$ 845.346 million (2020: US$ 804.774 million) recorded a growth of 5.04% when compared to 2020. This growth reflects reversion to normal business operations after the shock of Covid-19 in 2020.

Adjusting for movement in unearned premium reserves, the **gross earned premium** recorded in 2021 was US$ 842.626 million (2020: US$ 811.753 million).

The Corporation's retrocession policy continues to rely on Excess of Loss programmes to protect the **net retention** in its traditional acceptances, while purchasing additional covers for large risks in the **oil & gas** and other special risks. During the year, the total net premium ceded to retrocessionnaires was US$ 174.930 million (2020: US$ 156.375 million) being an increase of 11.87% over the 2020 retrocession. This year on year increase is partly attributable to reversion of gross volumes to pre Covid-19 levels and partly attributable to continued growth in Oil & Gas risks written in 2021. Consequently, the **net earned premium** for the year was US$ 667.696 million (2020: US$ 655.378 million), being an increase of 1.88% when compared to 2020.

Gross claims paid in 2021 amounted to US$ 382.351 million (2020: US$ 413.973 million), a decrease of 7.64%. This decrease was driven by continued improvements in the underwriting portfolio with the gross claims paid ratio of 45.23% (2020: 51.00%) recording a further positive improvement from previous years. The recovery of claims paid from our retrocessionnaires amounted to US$ 33.448 million (2020: US$ 64.302 million). This translates to a recovery ratio of 8.75% (2020: 15.53%). Consequently, **the net claims paid** stood at US$ 348.902 million (2020: US$ 349.671 million), being an improvement of 0.22%.

Net claims incurred for the year amounted to US$ 392.751 million (2020: US$ 404.967 million) being a reduction of 3.02% year on year. This is mostly attributable to the combined impact of improved portfolios with smaller & fewer large losses on the gross level and thereby resulting in lower recoveries on the retro account as they were not large enough to reach the group retrocession programme attachment point.

Consequently, the **net incurred claims ratio** for the year stood at 58.82% (2020: 61.79%).

Gross acquisition costs in 2021 amounted to US$ 224.410 million (2020: US$ 216.586 million) representing an increase of 3.61% when compared to 2020. This increase is generally in line with the increase in gross written premium during the year. On the other hand, commissions & brokerage recovered from retrocessionnaires amounted to US$ 32.922 million (2020: US$ 30.309 million), being an increase of 8.62% compared to 2020. As a result, the **net acquisition cost** for the period closed at US$ 191.488 million (2020: US$ 186.277 million). The **net acquisition cost ratio** was generally stable at 28.68% (2020: 28.42%) when compared to 2020.

The **net underwriting result before management expenses** for the year stood at US$ 83.457 million (2020: US$ 64.135 million), being an improvement of 30.13%. **Management expenses** recorded a year on year decrease of 2.40% to stand at US$ 48.896 million (2020: US$ 50.097 million). The decrease was largely driven by lower provisions for doubtful debts.

Consequently, **management expense ratio** improved by 32 basis points to stand at 7.32% (2020: 7.65%) through the combination of improved net earned premiums and a fall in management expenses.

Income earned by the Corporation from investment and other sources, including interest on reinsurance deposits stood at US$ 54.138 million (2020: US$ 53.591 million), being an increase of 1.02%. The investment portfolio continued to be affected by low interest rates on the fixed income portfolio but benefited from increased dividend income following a resumption of dividend payouts by most companies. Market price movements in 2021 were lower compared to 2020 primarily due to negative price movements in the fixed income portfolio as markets started pricing in expected increases in interest rates. Consequently, the investment portfolio posted an average return of 3.56% (2020: 3.91%).

Foreign currency exchange differences arising from revaluation of monetary assets and liabilities against the various functional currencies resulted in a net loss of US$ 47.783 million (2020: US$ 9.247 million). This was mainly driven by the depreciation of almost all of our operating currencies. However, significant depreciation was noted with the Libyan dinar, Sudanese pound and Ethiopian birr.

Income tax charge for the year amounted to US$ 2.093 million (2020: 2.672 million) incurred in South Africa where the Corporation is liable to pay tax.

Consequently, **profit after tax** in 2021 amounted to US$ 38.823 million (2020: US$ 55.709 million) being a decline of 30.31% year on year.

Total comprehensive income for the year stood at US$ 8.315 million (2020: US$ 69.060 million) after adjusting the profit after tax for further negative movements in **exchange losses on the translation of foreign operations** whose amount was US$ 25.974 million (2020: exchange gains of US$ 11.964 million). There were also **revaluation losses on assets** held for sale amounting to US$ 4.534 million (2020: revaluation gains of US$ 1.387 million).

V. APPROPRIATION OF RESULTS

In furtherance of the Corporation's commitment to consolidate its financial position while providing remuneration on the capital invested in its equity, and in accordance with **Resolution No. 3** on the **New Dividend Distribution Policy and Appropriation of Net Profit** adopted by the Ordinary General Assembly of 17 June 2019 held in Tunis, Tunisia, the Board recommends that the 2021 net profit of US$ 38,823,000 be distributed as follows:

1. **US$ 19,412,000** to the general reserve in accordance with Resolution No. 4/1992 which stipulates that 50% of the Net Profit After Tax of each year is set aside as **General Reserve**;
2. **US$ 1,000,000** to be transferred to the **Reserve for Loss Fluctuation** in accordance with the decision taken by the Board during its 57th meeting to set aside an amount over and above the outstanding claims provision to moderate the effects of possible fluctuation in losses in future;
3. **US$ 576,000** to be transferred to the **Africa Re Foundation** as 1.48% of the net profit;
4. **US$ 25,200,000** to be paid as **dividend at the rate of US$ 8.8** (2020: US$ 8.8) per subscribed and paid-up share of US$ 100 par value to be funded as follows:
   a. a **Regular Dividend** of **US$ 15,529,000** to be paid **from the net profit** for the year;
   b. a **Special Dividend** of **US$ 2,306,000** to be paid **from the net profit** for the year;
   c. a **Special Dividend** of **US$ 7,365,000** to be paid **from the retained earnings** brought forward from previous years.

VI. CAPITAL MANAGEMENT

Africa Re ensures that its solvency and cash flow are sufficient to meet existing liabilities, future growth aspirations and to maximize reported profits. This is achieved by efficiently managing capital through a risk-based capital modelling regime under which the Corporation's capital reflects all the main risks to which it is exposed.

It is worth mentioning that the successful fourth capital increase improved the Corporation's solvency position in 2013. Since then, the Corporation has improved its solvency position by combining considerable retained earnings and risk-informed strategic decisions.

The capital needs of the Corporation are assessed using an internal risk-based capital model and external proprietary models developed by rating agencies. The objective is to ensure that, at all times, the Corporation has available, more capital than required.

Financial strength ratings and capital adequacy

Due to its supranational nature, Africa Re Group is not legally subject to any national regulatory regime.

However, it should be noted that its subsidiary company, African Reinsurance Corporation South Africa Ltd (ARCSA), is supervised by the Prudential Authority and Financial Services Conduct Authority of South Africa. ARCSA was involved, alongside other industry participants, in the development of the regulatory framework called Solvency Assessment and Management (SAM), which is similar to the European Solvency II and is based on economic principles in the measurement of assets and liabilities. Solvency Assessment Management sets out requirements for governance, risk management, supervision, disclosure and transparency. South Africa commenced implementation of SAM in June 2018. Africa Re continues to follow the development of SAM in order to comply with the requirements in South Africa and adopt best practices for its Group operations.

Financial strength ratings, counterparty and issuer credit ratings have been assigned to Africa Re by Standard & Poor's and A.M. Best rating agencies since 1998 and 2003 respectively.

The evaluations of the rating agencies are based on a set of criteria, which include the assessment of the Corporation's capital adequacy. Standard & Poor's and A.M. Best require an annual solvency probability of 99.6%, which entails a high level of capital that should enable the company to endure exceptional losses once in every 250 years.

The Corporation has a strong capitalization under the capital adequacy requirements of the two rating agencies. The financial strength is assessed in accordance with the capital models of the two rating agencies in the table below.

Financial strength ratings

Rating Agency	Financial strength rating	Counterparty/ issuer credit Rating	Outlook	Last press release/ report date
A.M. Best	A	a	Stable	December 8, 2021
Standard & Poor's	A-	A-	Stable	September 13, 2021

A.M. Best affirmed on 8 December 2021 the financial strength rating of Africa Re at A (Excellent) and the issuer credit rating at "a" with both outlooks remaining Stable. According to A.M. Best,

"the ratings reflect [Africa Re]'s balance sheet strength, which AM Best asseses as strongest, as well as its strong operating performance, favourable business profile and appropriate enterprise risk management."

"Africa Re's balance sheet strength is underpinned by its risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR)."

Standard & Poor's affirmed the financial strength and the counterparty credit rating of Africa Re on 13 September, 2021. According to S&P, they "[expect] that African Reinsurance Corp. (Africa Re) will maintain capital adequacy in excess of the 'AAA' range, which is a key rating strength. The group's favorable capital position is mostly supported by the significant amount of excess capital relative to its liabilities. Therefore, the group benefits from a material buffer above requirements to maintain 'AAA' level capitalization."

They "believe that Africa Re benefits from well-diversified exposure across the African continent, with a strong franchise and overall market position."

VII. ENTERPRISE RISK MANAGEMENT (ERM)

Africa Re ensures an enterprise approach to its risk management process to enable efficient identification and management of known and emerging threats to its business operations.

The Enterprise Risk Management (ERM) function supports value creation by enabling Management to deal effectively with future events that create uncertainty and to respond in a manner that reduces the likelihood of downside outcomes while leveraging on opportunities. Consequently, the Corporation has the process needed to become more anticipatory and effective at evaluating and managing uncertainties faced as it works towards creating sustainable value for stakeholders.

Risk Governance

Conscious of the key need for a formalized enterprise risk management function in the Corporation, the Management of Africa Re created a Risk Management and Compliance Department in 2010. The Department is headed by a Central Director who is the Chief Risk Officer (CRO). The Chief Risk Officer assumes responsibility for the overall leadership, vision and direction of the risk management function across the Corporation.

A Risk Management Committee (RMC) exists, consisting of the Central Directors and headed by the Deputy Managing Director/Chief Operating Officer. The Committee meets quarterly.

Through the current risk governance structure, the Corporation recognizes the importance of an integrated approach by assigning the corporation-wide risk management responsibility to senior management with access to the Underwriting, Risk Management and IT Governance Committee of the Board.

Key Risk Management Bodies and Functions

Board of Directors			
Underwriting, Risk Management and IT Governance Committee of the Board			
Executive Management			
Risk Management Committee	Investment Committee	ICT Steering Committee	Special Risks Committee
Chief Risk Officer			
Risk Management function			

The African Reinsurance Corporation has also adopted the "three lines of defence" operational framework which operates as follows:

- 1st line: The day-to-day risk management and management control line, where staff and Management have direct responsibility for the management and control of risk;
- 2nd line: The risk oversight, policy and methodologies line, where the concerned staff co-ordinate, facilitate and oversee the effectiveness and integrity of Africa Re's risk management framework; and
- 3rd line: The independent assurance line, where control departments in charge of internal audit, technical inspection and external auditors provide independent assurance across all business functions in respect of the integrity and effectiveness of the risk management framework.

The roles and responsibilities of each of these functions and parties involved in the risk management process are described in detail in the Group Risk Policy Document.

Annual Report & Accounts 2021
Management Report

Risk Landscape

The risk landscape of the Corporation comprises core business risks and other risks that are categorised and defined as follows:

Group 1 - Insurance risk: risk of loss arising from the Corporation's core business as a result of inadequate underwriting or reserving.

Group 2 - Credit risk: risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Group 3 - Market risk: risk that arises from fluctuations in values of, or income from assets, interest or exchange rates.

Group 4 - Currency fluctuation risk: risk of loss arising from changes in the different operational currencies of the Corporation.

Group 5- Liquidity risk: risk that sufficient financial resources are not maintained to meet liabilities when due.

Group 6 - Strategy risk: risk that the strategy the company sets for itself is unsuccessful or does not adequately recognise opportunities.

Group 7 - Reputational risk: risk of loss arising from damage to the Corporation's brand, leading to loss of business and competitive advantage.

Group 8 - Regulatory/Compliance risk: risk of loss from non-adherence to regulatory or shareholding agreement and international standards/policies leading to fines, sanctions, interventions and ultimately revocation of operating licence.

Group 9 - Operational risk: risk of loss resulting from inadequate or failed internal processes, people, systems and external events.

Across these categories, the Corporation identifies and evaluates all threats and opportunities to its strategic objectives through a systematic framework that is applied consistently across the Group.

Risk Management Processes

The implementation of risk management at the operational level embraces various steps such as identification, measurement, analysis, assessment, reporting and monitoring, which enable the Corporation to closely follow significant risks in each group.

Financial Risks

Insurance, credit, liquidity, currency fluctuation and market risks have been classified as financial risk. The management of these risks is covered under "Management of Insurance and Financial Risks" (Pages 92 - 99).

Operational Risk

As indicated above, operational risk includes potential losses or reputational damage arising from inadequate or failed internal processes, people, systems and external events.

Within this framework, Africa Re has six sub-categories of operational risk: people, processes, systems, external events, legal, and capital adequacy. Other risks (categories) such as reputational, strategy and regulatory/compliance risks have been identified separately. The detailed risk categorization is set out in the Corporation's Risk Policy Document and Risk Register.

Africa Re is committed to properly mitigating and managing its exposure to operational and other non-financial risks. The operational risk management model involves the following cyclical process: identification, assessment, response & control, reporting and monitoring of risks. Dedicated officers (Risk Champions) from production centres and central departments are responsible for overseeing the management of operational risks which arise in their areas of control. The Corporation applies a centrally coordinated methodology to identify and assess risks through the use of an effective Operational Risk Solution, an IT platform called OneSumX.

The Operational Risk Solution facilitates the implementation of the tools and techniques provided in the Group Operational Risk Policy Document namely: risk and control self-assessment (RCSA), internal loss data capturing, key risk indicators (KRIs), stress and scenario testing, etc. The solution is used in the Corporation's head office and production centres. The modules installed include the platform, risk & control assessment, loss & incident recording, control assurance and enterprise reporting.

Appropriate controls and contingency plans such as Business Continuity Plans (BCP) and Disaster Recovery Plans (DRPs) are therefore in place to significantly reduce the Corporation's operational risk exposures to an acceptable level.

Emerging risks

These are developing or already known risks which are subject to uncertainty and ambiguity and are therefore difficult to quantify using traditional risk assessment techniques.

An emerging risk can represent either a change in the nature of an existing or known risk or the development of a new risk. Generally, such risks are characterised by a high level of uncertainty.

Appropriate processes are implemented to quickly identify emerging risks as they have indirect bearing on strategy implementation, stability of the Corporation and present opportunities.

Africa Re uses horizon scanning and stress-testing indicators and parameters to identify emerging risks. The Corporation's approach to managing emerging risks, builds on the structures and tools for managing its known/traditional risks. It ensures that the provisions of its risk management framework are robust in response to changing exposure to known risks and other emerging risks.

Risk Modelling

Financial Modelling

In response to the demands of the new environment by regulators and rating agencies, the global insurance industry developed Dynamic Financial Analysis (DFA) models. Africa Re pioneered the use of internal models for capital assessment and risk management purposes in Africa.

ReMetrica, a tool for building financial models of an insurance or reinsurance company developed by Aon Benfield, was acquired by Africa Re under a license agreement. ReMetrica is used for the modelling of insurance, investment and credit risks.

ReMetrica is used by Africa Re in different areas of decision-making including assessment of required capital, optimization of retrocession programme and strategic business decisions.

Africa Re acquired ReMetrica primarily to assess the sufficiency of shareholders' funds compared to its risk exposure as required by the Prudential Authority in South Africa and rating agencies (A.M. Best and Standard & Poor's).

ReMetrica enables the Corporation to choose an optimum retrocession structure from various scenarios depending on their financial impact on the Corporation. Furthermore, it allows the Corporation to build different models for each business strategy. By comparing the results of different business strategies, the business portfolio can be improved. In that regard, ReMetrica has been for Africa Re, a useful tool for building a well-balanced business portfolio.

Catastrophe Modelling

Catastrophe modelling provides expected annual aggregate loss from catastrophe events which could help in developing strategies in the following areas:

- Monitoring of accumulations and pricing of original risk;
- Retrocession purchase including setting of limits and retentions depending on the risk appetite;
- Meeting the requirements of the Prudential Authority and rating agencies.

Africa Re has been monitoring its catastrophe exposures annually in African countries prone to natural perils such as South Africa, Mauritius and Kenya. Willis and Aon Benfield have traditionally offered catastrophe modelling service, using either licensed or own models.

Annual Report & Accounts 2021
Management Report

VIII. CORPORATE GOVERNANCE

Overview

Africa Re is regulated by the Agreement Establishing the Corporation and other statutory documents detailed below.

There are various corporate governance policy documents in force, which are based on international best practices. The Corporation's subsidiary in South Africa is locally incorporated and in addition, complies with the applicable local corporate governance codes such as the King III Report.

The Board and Management are responsible for ensuring that the Corporation applies the best practices in corporate governance that match the required minimum in modern international and peer companies.

Corporate Governance Framework

Corporate governance principles and procedures of Africa Re are defined in a series of documents governing the organization and its management. They include:

- Agreement Establishing the African Reinsurance Corporation, defining the ownership, administration and governance structure;
- Procedure for Proposing and Introducing Amendments to the Agreement;
- General Bye-Laws defining the General Regulations and the Rules of Procedure of the General Assembly;
- Rules of Procedure of the Board of Directors;
- Rules for the Election of Directors;
- The Board Charter and Board Committee Terms of Reference , setting out the duties and responsibilities of the Board and its Committees; and
- Code of Ethics, which lays down rules, behaviour and attitude to be observed by staff and Management when accomplishing their duties or acting on behalf of the Corporation.

The corporate governance framework of the Corporation undergoes appropriate reviews triggered by changes in the operations of the Corporation, international best practices in relevant areas, as well as strategy and risk profile amongst others.

Since June 2019, the Board comprises 5 Committees. The Committees of the Board of Directors of the African Reinsurance Corporation are today as follows:

1. Human Resources and Remuneration Committee;
2. Audit Committee;
3. Underwriting, Risk and IT Governance Committee;
4. Nomination and Governance Committee;
5. Finance and Investment Committee.

The General Assembly, at its 41st Annual Ordinary Meeting held in Tunis, Republic of Tunisia, on 17 June 2019, decided to increase the number of Directors from 12 to 14 to cater for two (2) Non Executive Independent Director board seats, in line with best international governance standards.

The Board had its first Independent Directors (Mr Moustapha COULIBALY and Mr Bakary KAMARA) in 2020 and 2021 respectively.

Shareholding

Shareholding Structure as at 31 December 2021

Shareholder	Number of Shares	In %
42 Member States	991,627	34.63
African Development Bank (AfDB)	240,000	8.38
113 African insurance and reinsurance companies	971,984	33.94
3 Non-African Investors (FAIRFAX, AXA, and ALLIANZ SE)	660,000	23.05

Authorized / Paid-Up Capital and Recent Changes in Shareholding

The Corporation's policy consists in steadily growing capital with retained profit and additional equity from existing shareholders and selected potential investors. Therefore, from an initial paid-up capital of US$ 100 million in 2010, a call of the first portion of the capital of US$ 200 million was made in 2010 by issuing 1,000,000 new shares and distributing 1,000,000 bonus shares to existing shareholders.

The authorized capital stands at US$ 500 million as at 31 December 2021 with US$ 286,361,100 fully paid up. The capital is divided into 2,863,611 shares, each with a nominal value of US$100..

General Assembly

General Assembly Meeting

The General Assembly meets at least once a year in one of the member states, usually in June.

Voting Right & Representation

In line with the Agreement Establishing the Corporation, each shareholder has one vote for any one fully paid-up share. Each representative at the General Assembly is entitled to cast the votes of the shareholder or shareholders he represents. All significant decisions and matters before the Ordinary General Assembly are taken by a majority of the voting power represented at the meeting.

Statutory quorums

A quorum for any meeting of the General Assembly shall be sixty (60) per cent of the total voting power of shareholders. If a quorum is not reached, a second meeting shall be held at least twenty-one (21) days or at most forty five (45) days after the first meeting in the case of the ordinary general meetings and at least seven (7) days or at most thirty (30) days after the first meeting in the case of extraordinary meetings. The notice for the second meeting shall be sent within seven (7) days after the first meeting. The shareholders present at the second meeting shall have the right to pass valid resolutions whatever the number of shares they represent.

Notice & Agenda of the General Assembly

Notices for convening ordinary meetings of the General Assembly shall be sent to all shareholders by registered airmail not less than six (6) weeks before the date fixed for the meeting. The notice shall contain the agenda of the meeting.

Extraordinary meetings shall be convened in writing by appropriate means of communication not less than seven (7) days before the date of the meeting. An extraordinary meeting of the General Assembly may be called by the Board of Directors, or by shareholders representing at least twenty-five per cent (25%) of the total voting power of the Corporation.

Board of Directors

Board of Directors – Composition

The Board of Directors is currently chaired by Dr Mohamed Ahmed MAAIT and comprises 14 substantive members. Directors are elected by the General Assembly for a period of three years and may be re-elected at the expiration of the term. They shall continue in office until their successors are elected.

The table below contains the current members of the Board of Directors of the Corporation as at 31 December 2021 as well as the constituencies/group of shareholders they represent.

Name & Nationality	Constituency
Dr Mohamed Ahmed MAAIT Egyptian	Egypt: state and companies
Mr Bakary KAMARA Mauritanian	Independent Director
Mrs Faouzia ZAABOUL Moroccan	Morocco: state and companies
Mr Belay TULU Ethiopian	East and Southern Africa and Sudan (12 states)
Mr Maurice MATANGA Cameroonian	Francophone West and Central Africa (states and companies)
Mr Kamel MARAMI Algerian	Algeria: state and 4 companies
Mr Arthur Nathaniel YASKEY Sierra Leonean	Anglophone West Africa (companies and 4 states) and East and Southern Africa (companies)
Mr Sabri Hosni AL-BAKUSH Libyan	Libya, Mauritania and Tunisia (states and companies)
Mr Sunday Olorundare THOMAS Nigerian	Nigeria: state and companies
Mr Joseph VINCENT Belgian	African Development Bank (AfDB)
Mr Hassan EL SHABRAWISHI Egyptian	AXA
Mr Jean CLOUTIER Canadian	FAIRFAX
Mrs Delphine TRAORE Burkinabe	ALLIANZ SE
Mr Moustapha COULIBALY Ivorian	Independent Director

Board seats are distributed among shareholders or group of shareholders based on their voting power. The composition of the current Board is as follows:

- Nine (9) for Class "A" Shareholders (41 African member states, AfDB and 113 African insurance and reinsurance companies), with AfDB entitled to a permanent seat.
- Three (3) for Class "B" Shareholders (3 non-African investors).
- Two (2) Independent Directors.

The Board of Directors currently has five standing committees: Audit Committee; Finance and Investment Committee; Human Resources and Remuneration Committee; Nominations and Governance Committee and the Underwriting, Risk and IT Governance Committee;

Board of Directors – Committees

Audit Committee

The role of the Audit Committee includes but is not limited to the following:

a) Providing oversight on the Corporation's statutory financial reporting obligations together with fulfilling the legal, operational and professional requirements relating thereto.

b) Acting to ensure that the Corporation's records and reports of its business and other activities are adequate, appropriate, accurate and compliant with best practices. .

c) Supplementing, supporting, advising, providing guidance and reports on the adequacy, integrity, effectiveness or otherwise of the Corporation's system of accounting, financial reporting and internal controls as well as Management's effectiveness in fulfilling its responsibility and mandate as custodian of the Corporation's assets and the financial records evidencing its business activities.

Members

- Mr. Moustapha COULIBALY (Committee Chairman)
- Mrs Faouzia ZAABOUL
- Mr Bakary KAMARA
- Mr Joseph VINCENT
- Mr Arthur YASKEY

Human Resources & Remuneration Committee

The role of the Committee includes but is not limited to the following:

a) Governing the staff remuneration process and making recommendations to the Board.

b) Providing oversight responsibilities on the Corporation's human resource management policies, practices and procedures.

c) Acting as the forum for supporting Executive Management to ensure that the Corporation has access to appropriate human resources through a transparent, balanced and sustainable framework for dealing with performance recognition and reward.

Members

- Mr Kamel MARAMI (Committee Chairman)
- Mr Belay TULU
- Mr Hassan El SHABRAWISHI
- Mr Maurice MATANGA
- Mr Sabri Hosni AL-BAKUSH

Underwriting, Risk Management & IT Governance Committee

The role of the Committee includes but is not limited to the following:

a) Providing guidance and oversight on the Corporation's underwriting and other risk-taking activities.

b) Acting as the forum for setting and updating the framework, models and policies for managing risk across the Corporation and for overseeing the underwriting activities of the Corporation as well as ICT resourcing activities.

Members

- Mr Jean CLOUTIER (Committee Chairman)
- Mr Joseph VINCENT
- Mr Sunday Olorundare THOMAS
- Mr Arthur YASKEY
- Mr Belay TULU

Finance & Investment Committee

The role of the Committee includes but is not limited to the following:

a) Reviewing and confirming that the medium term financial plans, annual operating budget and annual capital budget prepared by Management, are consistent with the strategic plan and the Corporation's financial policies;

b) Providing guidance and oversight on the Corporation's financial and investment affairs and activities;

c) Acting as the forum for setting and updating the framework, models and policies for managing investment risk across the Corporation and for overseeing the financing, investing, planning, capital and operational budgeting of the Corporation;

Members

- Mr Hassan El SHABRAWISHI (Committee Chairman)
- Mrs Faouzia ZAABOUL
- Mrs Delphine TRAORE
- Mr Moustapha COULIBALY
- Mr Maurice MATANGA

Nomination and Governance Committee

The role of the Committee includes but is not limited to the following:

a) Providing guidance and oversight on the Corporation's corporate governance activities and Board affairs.

b) Acting as the forum for setting and updating the framework, models and policies for providing leadership and direction for the Board, for ensuring Board performance and effectiveness, and for overseeing the continuous flow of quality personnel and other resources into the Corporation's leadership..

c) Governing the non-executive directors' remuneration process and making recommendations to the Board for preliminary approval and the General Assembly for final adoption.

Members

- Dr Mohamed MAAIT (Committee Chairman)
- Mr Kamel MARAMI
- Mr Bakary KAMARA
- Mrs Delphine TRAORE
- Mr Sunday Olorundare THOMAS

Board Evaluation and Training

As regards training, new Board members are provided with induction packs on the functions of the Board and the Committees. In addition, training is also provided to Directors in specific areas as need be. Accordingly, on 23 August 2021, there was a training session for all Board members on IFRS 9 and 17.

Board of Directors – Activities in 2021

The Board of Directors met five times in 2021. The five meetings were held virtually, on the Zoom platform, due to travel restrictions as a result of the Covid-19 pandemic. The average attendance rate was 95%.

Executive Management

The Executive Management comprises the following members as at 31 December 2021.

Name	Nationality	Function
Dr Corneille KAREKEZI	Rwandese	Group Managing Director / Chief Executive Officer
Mr Ken AGHOGHOVBIA	Nigerian	Deputy Managing Director / Chief Operating Officer

IX. COMPLIANCE

As part of an effective system of risk management and internal controls in the Corporation, control functions were established including risk management, actuarial services, internal audit and compliance. The compliance function was formally developed in 2014 in order to complete the essential pillars of a strong risk management system.

The compliance function enhances governance, checks and balances and provides support to the Board in the fulfilment of its oversight duties.

Though the parent company is not subject to any regulatory compliance requirements, its subsidiaries, Africa Re South Africa Limited in Johannesburg (South Africa) and Africa Re Underwriting Agency Limited in Dubai (The United Arab Emirates), are mandated to comply with all applicable regulatory requirements in South Africa and the UAE respectively. The Group compliance function reviews requirements of any applicable rules and regulations in order to assess compliance levels and issues and reports to Executive Management and the Board.

Consequently, through this function, the Corporation monitors and ensures compliance with all contractual agreements of Africa Re.

The compliance function operates as a second line of defence. It also ensures as much as possible that there is no conflict of interest with other control functions, hence meeting the minimum requirement of good governance and control practice.

The following are the recent updates in the compliance function of the Corporation:

- FATCA: The scope of the compliance function has been extended to the Foreign Accounts Tax Compliance Act (FATCA), an act of the United States Internal Revenue Service (IRS). The compliance with the requirements of FATCA has been considered and implemented.
- Policy Formulation and Review: The Anti-Money Laundering (AML)/Combating Terrorist Financing (CTF) document was prepared and approved by the Board. It is reviewed periodically to incorporate latest best practices and conform to recent standards.
- Gap Assessment & Management: The compliance function also identifies gaps in the compliance processes and develops a strategic response to manage them. The Know Your Customer (KYC) process has recently been updated to a more risk-based process.
- Screening Tools: A compliance screening tool is used to screen all clients during the on boarding stage and on a continuous basis.

The Corporation's fight against money laundering and terrorist financing is critical in maintaining a stable and corrupt-free society; hence the adoption of the recommendations of the Financial Action Task Force (FATF) and the guidance paper of the International Association of Insurance Supervisors (IAIS) on this subject.

The AML/CTF process forms part of the Risk Management Programme of the African Reinsurance Corporation and formalises the approach to combat money laundering and terrorist financing.

Although the Corporation is not subject to any local regulation on AML/CTF, it has adopted the recommendations of the FATF as best practice in combating money laundering and terrorist financing.

These recommendations shall be used to:

- define and communicate principles and minimum requirements for conducting money laundering and terrorist financing assessments;
- provide further controls on the operational, reputational and legal risks of the Corporation;
- ensure compliance with international best practice on fighting money laundering and terrorist financing;
- provide guidance to eliminate the possibility of the Corporation's participation in any money laundering or terrorist financing activities;
- formalise the Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures of the Corporation; and
- advise the board on the compliance risk exposures faced in the different operating markets.

X. CORPORATE SOCIAL RESPONSIBILITY

A sustainable business, whose main goal is to maximize shareholder value, must pay attention to the interests of its shareholders and also the environment in which it operates. Following the Board decision of November 2013 and the General Assembly Resolution of June 2014, Africa Re Trust Fund was established to execute the corporate social responsibility (CSR) initiatives of the Corporation. To carry out corporate social responsibility in line with global best practices and to achieve the goal of the CSR Trust Fund, **Africa Re Foundation** was established in January 2018 to serve as an independent vehicle to implement various strategic initiatives aimed at achieving Africa Re's vision. The Foundation is funded primarily by a maximum of 2% of the Corporation's yearly net profit after tax. In 2021, the Foundation implemented the following recurrent and non-recurrent initiatives to achieve its strategic goals.

Covid-19 Pandemic in Africa

The Africa Re Foundation committed a total of US$3,320,000 to support the fight against Covid-19 pandemic in Africa. The Covid-19 pandemic intervention was designed to be executed in collaboration or in partnership with international organizations (African Union, World Health Organisation), 8 host countries of Africa Re and 41 African insurers' associations. The Africa CDC of the African Union, WHO (Mauritius), 3 host countries, and 12 insurance associations received funds from the Foundation and implemented Covid-19 initiatives or projects across the continent.

Education and Training

- Five hundred and forty seven (547) insurance professionals were trained on insurance, reinsurance and related courses through the Young Insurance Professionals Programme (YIPP). They were equipped with the required knowledge and skills of the industry that will facilitate higher job performance and improve productivity. An additional one thousand (1,000) young insurance professionals were enrolled for the YIPP and are being trained on insurance, reinsurance, and related courses.

Insurance Industry Development

- The Foundation continues to support the development of an insurance regulatory software for the National Insurance Commission (NAICOM) of Nigeria to enhance regulatory functions and ensure efficient service delivery. .

Research and Development

- The Foundation sponsored the publication of the Africa Pulse Publication Series 2021, a knowledge based initiative that is geared towards the development of the insurance industry in Africa. The 2021 edition with the theme - the African Continental Free Trade Area (AfCTA) - was published and circulated among the relevant stakeholders in the industry.
- The Foundation continues to support the Financial Regulatory Authority (FRA) of Egypt in the building of the first actuarial tables for the life insurance industry in the country.

XI. Human Resources and Compensation

Human Resources

The Employee Value Proposition (EVP) at Africa Re continues to be very attractive making it the employer of choice in the reinsurance industry in Africa. Africa Re staff remain the greatest assets of the Corporation.

The Corporation operates a centralized HR environment to support the key business initiatives, recruit and develop talented professionals, grow performance capabilities, provide best practices that contribute to high level employee engagement and organizational development in order to deliver strategic business objectives.

Accordingly, our compensation and rewards are constantly reviewed to attract, motivate and retain highly skilled professionals needed to actualise the Corporation's strategic plan and objectives.

Staff Categories

There are six staff categories in Africa Re.

Table A: Staff Categories

Executive Management (MGT)	▪ Group Managing Director/Chief Executive Officer ▪ Deputy Managing Director/Chief Operating Officer
Executive Staff (ES1, ES2, ES3, ES4)	▪ Central Directors ▪ Regional Directors ▪ Managing Directors of Subsidiaries
Professional Staff (PS1, PS2 PS3, PS4, and PSS)	▪ Deputy Directors ▪ Assistant Directors ▪ Senior Managers ▪ Managers ▪ Assistant Managers
Local Professional Staff (LP1, LP2, LP3)	▪ Principal Officer
Support Staff (SS1, SS2, SS3, SS4, SSS A, SSS B))	▪ Assistant Officers /Officers/ Senior Officers
Manual Staff (MS1, MS2, MS3, MS4, MSS)	▪ Attendants /Operatives

Executive Management, Executive Staff, and Professional Staff are considered "international" staff. Local Professional, Support Staff and Manual Staff are locally recruited staff of the respective locations in which the Corporation operates.

The table below shows the distribution of staff according to categories and duty posts across the African continent.

Table B: Staff Establishment Figures as at December 31, 2021

Locations	Establishment							
	MGT	ES	PS	LP	SS	MS	Total	Temp
Head Office	**2**	**7**	**27**	**2**	**26**	**10**	**74**	**13**
Abidjan Regional Office		1	5	0	11	2	**19**	4
Addis Ababa Regional Office			1		2	0	**3**	
Cairo Regional Office		1	6	1	19	1	**28**	6
Casablanca Regional Office		1	4	1	13	3	**22**	
Lagos Regional Office		1	6	2	13	2	**24**	3
Mauritius Regional Office		1	3	1	10	4	**19**	1
Nairobi Regional Office		2	13	4	15	2	**36**	6
African Reinsurance Corporation South Africa (ARCSA) – South African Subsidiary		2	13	0	21	1	**37**	3
Total (Regional offices)	**0**	**9**	**51**	**9**	**105**	**15**	**188**	**23**
Total (with Head Office)	**2**	**16**	**78**	**11**	**130**	**25**	**262**	**36**
Percentage %	0.76%	6.11%	29.77%	4.20%	49.62%	9.54%	100%	

1.2 Diversity

Africa Re encourages diversity and inclusiveness as it ensures equal employment opportunities to citizens of all member states across Africa. The staff of the Corporation cuts across twenty-seven (27) nationalities in Africa. The Corporation also promotes gender equality amongst its workforce.

Table C: Gender Distribution of Staff

Location	Male	Female	Total
Head Office	55	19	74
Abidjan Regional Office	14	5	19
Addis Ababa Local Office	2	1	3
Cairo Regional Office	17	11	28
Casablanca Regional Office	17	5	22
Lagos Regional Office	17	7	24
Mauritius Regional Office	10	9	19
Nairobi Regional Office	23	13	36
African Reinsurance Corporation South Africa (ARCSA) – South African Subsidiary	19	18	37
Grand Total	**174**	**88**	**262**
Percentage %	**66.41%**	**33.59%**	**100%**

2. Compensation

The guiding principle for compensation and rewards is to be at least within the 75th percentile of the benchmarked remuneration of acceptable reinsurance and finance industry comparators. Our comprehensive compensation is benchmarked with relevant comparators in the African labour market to ensure that employees are well motivated to focus on delivering outstanding results without taking avoidable risks.

The compensation practice of Africa Re derives from remuneration surveys and participation in peer reviews, complemented by effective staff and team performance management policies.

Africa Re has adopted the Balanced Score Card (BSC) as a strategic performance management tool to set measurable performance targets for teams and individual staff. The performance targets are linked to the Corporation's Strategic Business Plan. The BSC for each staff is a mix of objectives and initiatives measured by ***Key Performance Indicators (KPIs)*** in some ***Key Performance Areas (KPAs)*** or ***Perspectives***. The performance management system has now been automated using the Corporater software.

Compensation and Rewards were reviewed in 2022 to alleviate the erosion in real income of staff caused by local currency devaluation/ currency fluctuation and hyper-inflation in some of Africa Re's operating locations.

The Corporation continues to promote and practice equal pay for similar roles amongst the male and female staff. All allowances and benefits are applicable to male and female staff occupying the same role with the same grade level without any form of discrimination or disparity.

Africa Re pay practice comprises fixed pay, variable pay, allowances and other benefits (children education grant, Provident Fund, end-of-service gratuity, medical insurance, other insurance covers, etc.).

Table D: Components of compensation

Type	Composition	Beneficiaries	Comments
Fixed Compensation	Base salary	- Executive Management - Executive Staff - Professional Staff - Local Professional - Support Staff - Manual Staff	Base pay and allowances are paid monthly in US dollars for Executive Management, Executive Staff and Professional Staff, and in local currencies for Local Professional, Support and Manual Staff
	Duty Post Differential	- Executive Management - Executive Staff - Professional Staff	Paid monthly only to international staff
Annual Variable Compensation	Individual Performance Bonus	- Executive Management - Executive Staff - Professional Staff - Local Professional - Support Staff - Manual Staff	Paid annually to all categories of staff
	Special Location Performance Bonus	- Executive Staff - Professional Staff - Local Professional - Support Staff - Manual Staff	Designed to reward all the employees of a production centre upon attainment of a specified performance level.
Allowances	- Housing - Transport - Inflation Adjustment - Dependency (Spouse & Child)	- Executive Staff - Professional Staff - Local Professional - Support Staff - Manual Staff	Allowances are paid monthly in US dollars for Executive Staff and Professional Staff, and in local currencies for Local Professional, Support and Manual Staff.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR EXTERNAL FINANCIAL REPORTING

Management responsibility regarding Effectiveness of Internal Controls over Financial Reporting

The Management of the African Reinsurance Corporation (Africa Re) is responsible for the preparation, integrity and fair presentation of its financial statements and other information presented in the annual report. The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of Article 37 of the Agreement Establishing the African Reinsurance Corporation and as such, include amounts based on informed judgments and estimates made by Management.

The financial statements have been audited by an independent accounting firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and Committees of the Board. Management believes that all representations made to the independent auditors during the audit were valid and appropriate. The independent auditors' report accompanies the audited financial statements.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Agreement Establishing the African Reinsurance Corporation, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management believes that internal controls for external reporting, which are subject to scrutiny by Management and the internal auditors, and are revised as considered necessary, support the integrity and reliability of the external financial statements.

Key procedures that Management has established, which are designed to provide effective internal financial control within the Group include the preparation, review and Board approval of the annual financial plans that align with strategic plans. Results are monitored regularly and progress reports on performance are prepared quarterly. The system of internal controls includes written policies and procedures, proper delegation of authority, accountability through establishing responsibility and segregation of duties.

In addition, Management has developed a risk management framework that ensures an effective coordination and monitoring, within the Group, of all the risk management policies approved by the Board of Directors and/or by Executive Management such as underwriting and reserving policies, staff rules and regulations, investment policy guidelines and accounting and financial procedures.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can only provide reasonable assurance with respect to the preparation of financial statements. The effectiveness of internal controls may vary over time because of changes in circumstances.

The Board of Directors of Africa Re has set up an Audit Committee and an Underwriting, Risk Management & IT Governance Committee to monitor the internal controls and risk management practices within the Group. The Committees are made up of non-executive Directors who are independent of Management. They meet periodically with Management, external auditors, internal auditors, chief risk officer and technical inspectors to review their reports and ensure that they are effectively carrying out their respective responsibilities. The external auditors, internal auditors and chief risk officer have free access to the Committees with or without the presence of Management to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Committees.

Dr Mohamed Ahmed MAAIT
Chairman of the Board of Directors
and General Assembly

Dr Corneille KAREKEZI
Group Managing Director / CEO

Annual Report & Accounts 2021
External Auditor's Report
Africa Re

pwc

Independent auditor's report

To the Members of African Reinsurance Corporation

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of African Reinsurance Corporation ("the Corporation") and its subsidiaries (together "the group") as at 31 December 2021, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

African Reinsurance Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at 31 December 2021;
- the consolidated statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

pwc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of technical provisions ($741.1 million) - see notes 3c, 3e, and 13 Management employs the services of an internal expert for the purposes of determining its actuarial liabilities in estimating technical provisions. The estimation of technical provisions involves a significant degree of judgement about future events of uncertain future outcomes. The liabilities are based on the best-estimate of the ultimate cost of all Incurred Claims Liabilities (ICL) but not settled at a given date, whether reported or not and provision for unearned premium reserve (UPR). Below, we comment on IBNR (Incurred But Not Reported) reserves which we consider to be the most judgemental aspect of technical provisions. Management calculates IBNR based on generally accepted actuarial methods such as: • Chain Ladder Method • Expected Loss Ratio Method • Bornhuettor-Ferguson Method • Cape Cod Method Judgments applied included calculation of ultimate loss ratio, the estimation of the impact of large claims and the determination of allowance for retrocession share of the claim reserve. With regard to the determination of retrocession share of claims reserve, the corporation has used the retrocession percentage on a contract wise basis to estimate the release in IBNR due to retrocession. The methodology assumes that premium retroceded is a close proxy for the risks being transferred and therefore is used to estimate the release in IBNR. Management believes that most of the retrocession arrangements of the Corporation are on proportional basis, the approach used for estimating net IBNR is a practical approximation and should therefore produce realistic results.	We obtained the actuarial calculations from management's internal actuarial experts and performed the following procedures: • assessed the competence of management's internal actuarial expert; • understood and evaluated management's process for estimating technical provisions; • understood, evaluated and tested key controls over underwriting and claims process and performed detailed substantive testing over premiums, claims paid and outstanding claims; and • tested the accuracy, completeness and appropriateness of the underlying data used in the actuarial valuations by performing checks between the data recorded in the financial statements and actuarial data used by management's experts. With the support of our actuarial experts, we assessed the reasonableness of the corporation's methodology for estimating technical provisions and tested IBNR reserve as follows: We performed an independent calculation of claims reserves using paid and incurred claims triangles provided by the Corporation: • For all classes of business, we used the Bornhuettor Ferguson Method, Chain Ladder Method and the Expected Loss Ratio Method based on what was appropriate for the particular Line of Business. • Certain exceptionally large claims were excluded from the claims triangles as these claims distort the reserves significantly. We independently calculated an estimate of the claims liability at a line of business level; and We checked the appropriateness of the methodology used to estimate the release in IBNR due to retrocession and independently carried out a re-computation. We assessed the financial statement disclosures for reasonableness.

pwc

Valuation of reinsurance receivables ($132.3 million) – see notes 3c, 3j, and 6 The valuation of the group's reinsurance receivable requires significant judgement in determining the amount to reflect the credit risk exposure to reinsurance receivables. Management's impairment model considers the ageing of its reinsurance receivables and collection history. It also considers the length of time the receivable has been due as well as the financial condition of the debtor. Management performs periodic reconciliations with existing cedants and considers the results in the impairment assessment.	We adopted a substantive approach in order to assess the recoverability of the reinsurance receivables. We assessed the reasonableness and appropriateness of the impairment methodology and assumptions used in testing the recoverability of the reinsurance receivables. Specifically, we: • tested the ageing analysis of the gross receivable performed by management by selecting samples and checking to supporting documentation; • evaluated the existing relationship between the corporation and selected cedants (including the collection history) and assessed the financial condition of the cedants. • developed a point estimate which was compared to management's valuation of the group's reinsurance receivables; and We assessed the financial statements disclosures for reasonableness.

Other information

The directors are responsible for the other information. The other information comprises About Us, Mission, Value Proposition, Diversified Shareholding, Financial Highlights, Results 2017 – 2021, Financial Position 2017-2021, Ratings, Proposed Dividend per share, Letter to the General Assembly, Board of Directors, Executive Management, Central Directors, Regional Directors, Chairman's Statement, Management Report, Economic and Trade Environment, Technical Operations, Investment Income, Results of the 2021 Financial Year, Appropriation of Results, Capital Management, Enterprise Risk Management (ERM), Corporate Governance, Compliance, Corporate Social Responsibility, Human Resource and Compensation, Management Responsibility and Consolidated statement of profit or loss by class of business, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

pwc

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore pwc

the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Obioma Ubah

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0932319

05 July 2022

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Obioma Ubah
FRC/2013/ICAN/00000002002

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 December 2021

Assets	**Notes**	**2021 US$'000**	**2020 US$'000**
Cash and cash equivalents	25	329,444	294,795
Investments	4	1,118,556	1,087,862
Premium income receivable		55,110	58,960
Deferred acquisition costs	5	58,546	60,762
Reinsurance receivables	6	132,340	146,552
Retrocessionaires share of technical provisions	7	127,361	121,062
Sundry receivables		6,714	9,962
Tax recoverable	23	-	490
Investment properties	8	18,343	18,026
Property and equipment	9	35,959	35,864
Intangible assets	10	8,240	2,341
Total assets		**1,890,613**	**1,836,676**
Liabilities			
Sundry payables	26	18,891	17,144
Dividend payable	24	11,639	9,415
Reinsurance payables	11	111,753	85,605
Deferred tax	12	694	123
Deferred retrocession commission		5,824	6,599
Technical provisions	13	741,098	700,684
Total liabilities		**889,899**	**819,570**
Shareholders' funds			
Retained earnings		226,218	234,077
Other reserves	14	270,965	281,061
Share premium		217,170	216,107
Share capital	15	286,361	285,861
Total shareholders' funds		**1,000,714**	**1,017,106**
Total liabilities and shareholders' equity		**1,890,613**	**1,836,676**

The financial statements on pages 57 to 107 were approved and authorised for issue by the Board of Directors of the Corporation on 30 May 2022 and were signed on its behalf by:

M.A. Maait

DR. MOHAMED MAAIT
Chairman

DR. CORNEILLE KAREKEZI
Managing Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Gross earned premium	16	842,626	811,753
Less: retrocession premium	16	(174,930)	(156,375)
Net earned premium	**16**	**667,696**	**655,378**
Investment income	17	51,038	52,310
Commissions earned under retrocession arrangements		32,922	30,309
Other operating income	18	3,100	1,281
Total income		**754,756**	**739,278**
Net claims incurred	19	**(392,751)**	**(404,967)**
Acquisition expenses	20	(224,410)	(216,586)
Administrative expenses	21	(48,896)	(50,097)
Net foreign exchange loss	22	(47,783)	(9,247)
Profit before income tax		**40,916**	**58,381**
Income tax charge	23	(2,093)	(2,672)
Profit for the year		**38,823**	**55,709**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		(25,974)	11,964
Net fair value gain on revaluation of available-for-sale financial assets		(4,534)	1,387
Total other comprehensive (Loss)/Gain		**(30,508)**	**13,351**
Total comprehensive income for the year		**8,315**	**69,060**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2021

	Retained earnings	Translation reserve	General reserve	Reserve for Market Value Adjustment	Reserve for exchange fluctuation	Reserve for loss fluctuation	Other total reserves	Share premium	Share capital	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
At 1 January 2021	**234,077**	**(156,654)**	**364,413**	**9,408**	**6,294**	**57,600**	**281,061**	**216,107**	**285,861**	**1,017,106**
Profit for the period	38,823	-	-	-	-	-	-	-	-	38,823
Other comprehensive income	-	(25,974)	-	(4,534)	-	-	(30,508)	-	-	(30,508)
	38,823	**(25,974)**	**-**	**(4,534)**	**-**	**-**	**(30,508)**	**-**	**-**	**8,315**
Issue of ordinary shares								1,063	500	1,563
Dividend declared for 2020 (Note 24)	(25,156)	-	-	-	-	-	-	-	-	(25,156)
Corporate social responsibility fund	(1,114)						-			(1,114)
Transfer to reserves	(20,412)	-	19,412	-	-	1,000	20,412	-	-	-
	(46,682)	**-**	**19,412**	**-**	**-**	**1,000**	**20,412**	**1,063**	**500**	**(24,707)**
At 31 December 2021	**226,218**	**(182,628)**	**383,825**	**4,874**	**6,294**	**58,600**	**270,965**	**217,170**	**286,361**	**1,000,714**
At 1 January 2020	**234,175**	**(168,618)**	**336,558**	**8,021**	**6,294**	**56,800**	**239,055**	**216,107**	**285,861**	**975,198**
Profit for the period	55,709	-	-	-	-	-	-	-	-	55,709
Other comprehensive income	-	11,964	-	1,387	-	-	13,351	-	-	13,351
	55,709	**11,964**	**-**	**1,387**	**-**	**-**	**13,351**	**-**	**-**	**69,060**
Dividend declared for 2019 (Note 24)	(25,156)	-	-	-	-	-	-	-	-	(25,156)
Corporate social responsibility fund	(1,996)	-	-	-	-	-	-	-	-	(1,996)
Transfer to reserves	(28,655)	-	27,855	-	-	800	28,655	-	-	-
	(73,876)	**-**	**27,855**	**-**	**-**	**800**	**28,655**	**-**	**-**	**(27,152)**
At 31 December 2020	**234,077**	**(156,654)**	**364,413**	**9,408**	**6,294**	**57,600**	**281,061**	**216,107**	**285,861**	**1,017,106**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Cash flows from operating activities			
Cash generated from operations	25	72,891	78,643
Income tax paid	23	(1,022)	(733)
Net cash from operating activities		71,869	77,910
Cash flows from investing activities			
Purchase of Investment Property		(88)	-
Purchase of property and equipment	9	(2,835)	(3,533)
Purchase of intangible assets	10	(6,743)	(362)
Purchase of investments		(5,111)	(94,376)
Interest received net of management fees		36,082	38,708
Dividend received		3,036	999
Proceeds of disposal of property and equipment		29	63
Net cash generated/(used) in investing activities		24,370	(58,501)
Cash flows from financing activities			
Proceeds from share subscription		1,563	-
Dividends paid	24	(22,932)	(22,894)
Net cash used in financing activities		(21,369)	(22,894)
Net increase/(decrease) in cash and cash equivalents		74,870	(3,485)
Movement in cash and cash equivalents:			
At start of year		294,795	303,298
Net increase/(decrease) in cash and cash equivalents		74,870	(3,485)
Net exchange losses on cash and cash equivalents		(40,221)	(5,018)
At end of year	25(b)	**329,444**	**294,795**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. General information

The African Reinsurance Corporation was established in 1976 by member States of the African Union (formerly Organisation of African Unity) and the African Development Bank as an inter-governmental institution to:

a) mobilise financial resources from insurance and reinsurance operations;

b) invest such funds in Africa to help accelerate economic development; and

c) foster the development of the insurance and reinsurance industry in Africa by promoting the growth of national, regional and sub-regional underwriting and retention capabilities.

The Corporation is domiciled in Lagos, Nigeria at the following address:

Plot 1679, Karimu Kotun Street
Victoria Island
PMB 12765
Lagos, Nigeria

The Corporation carries out reinsurance business through its constituent offices in Abidjan, Cairo, Casablanca, Lagos, Nairobi and Ebene. The Corporation is also licensed as a local reinsurer in South Africa through its wholly owned subsidiary, African Reinsurance Corporation (South Africa) Limited, a company incorporated in the Republic of South Africa. The Corporation also writes Islamic Takaful business through its wholly owned subsidiary, Africa Retakaful Company in Egypt.

2. Accounting policies

Adoption of new and revised International Financial Reporting Standards (IFRS)

i) New standards and amendments to published standards effective for the year ended 31 December 2021

The following amendments to IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Standards/ Amendments	Effective date	Changes or Amendments
IFRS 16 Leases (amendment)	30 June 2021	Following from Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The amendment does not have any impact on the financial position of the Corporation. There was no application for concession by any of its lessees and it also did not apply for concession as a lessee.

Standards/ Amendments	Effective date	Changes or Amendments
Interest Rate Benchmark Reform Phase 2 –Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16:	1 January 2021	The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements. The amendments require entities to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognizing or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis. The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation if the hedge meets the other hedge accounting criteria. The amendments also require companies to provide additional information about new risks arising from the reform and how it manages the transition to ARRs. The amendment does not have any impact on the financial position of the Corporation. It presently applies straight line method for the amortisation of financial instruments and do not hold hedging instruments. Application of effective interest rate will commence after the upgrade of its treasury management software.

ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2022 and future annual periods

New standards and Amendments to standards	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	1 January 2022
IAS 16 amendments regarding proceeds before intended use	1 January 2022
Onerous Contracts – Cost of fulfilling a Contract - Amendments to IAS 37	1 January 2022
Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements	1 January 2023
Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Definition of Accounting Estimates –Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023

Annual Improvements to IFRS Standards 2018–2020

As part of its commitment to strengthening financial reporting, the International Accounting Standards Board issued the Annual Improvements to IFRS Standards 2018 -2020. The applicable ones to the Corporation's financial statements are:

IFRS 9 Financial Instruments – The amendment provides that, for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received, a borrower shall include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 1 First-time Adoption of International Financial Reporting Standards - This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

The amendments are not expected to have any material impact on the financial position of the Corporation.

Reference to the Conceptual Framework - Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and IFRIC-21

The amendments also confirm that that an acquirer does not recognize contingent assets acquired in a business combination at the acquisition date.

The amendments are not expected to have any material impact on the financial position of the Corporation.

IAS 16 Amendments regarding proceeds before intended use

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of PPE is available for use; and
- costs associated with making the item of PPE available for its intended use.

The amendment applies to companies engaged in developing or constructing own PPE for manufacturing purposes. The Corporation does not engage in construction of equipment for manufacturing purposes.

Onerous Contracts: Cost of fulfilling a Contract - Amendments to IAS 37

The amendments specify which cost an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate.

The amendments seek to address the issue of clarifying those costs that comprise the costs of fulfilling a contract. It clarifies that 'the costs of fulfilling a contract' includes both the incremental costs and an allocation of other direct costs.

The amendments apply to companies engaged in issuing and implementing contracts. The Corporation's obligation on issuing and implementing contracts are within its core operation of insurance and reinsurance and duly covered under IFRS 17 which becomes effective in 2023.

Consequently, the amendment to IAS 37 will have no material impact on the financial position of the Corporation.

Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 making materiality judgements

The amendments to accounting policy disclosures seek to assist preparers in deciding on which accounting policies to disclose in the financial statements. Emphasis was placed over materiality above all other considerations. The definition of Materiality was refined to align across IFRS standards and Conceptual Framework.

The key amendments to IAS 1 are:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments apply to the Corporation and will be fully implemented when they become effective.

Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current (Amendments to IAS 1)

The amendment is to clarify the requirements for classifying liabilities as current or noncurrent.

More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant; and
- The amendments clarify the situations that are considered settlement of a liability.

The amendments are not expected to have any material impact on the financial position of the Corporation.

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts.

It aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model applicable in certain circumstances and to specific contracts.

The new standard will have a significant impact on the financial statements when it is initially applied which will include changes to the measurement of insurance contracts issued and the presentation and disclosure.

The Corporation is on course on the implementation of the standard. The impact assessment has been completed and a parallel run for 2020 financial statement was also completed. The process of selecting the software vendor is nearing completion.

Definition of Accounting Estimates – Amendments to IAS 8

The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The focus of the amendment is solely on the clarifications regarding accounting estimates rather than accounting policies.

The impact of the amendments on the Corporation's financial statements will be appraised before it becomes effective.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences in cases like leases and decommissioning liabilities.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Corporation is exempted from all form of taxation from all member States where it operates from except in South Africa. The impact of the amendment on its South African subsidiary will be appraised before it becomes effective.

iii) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in 2021.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

A. Basis of preparation

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standard (IFRS) and its interpretations issued by the International Accounting Standard Board (IASB).

The financial statements are presented in United States dollars (US$'000). They have been prepared under the historical cost convention, as modified by the carrying of certain investments at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. Although estimates are determined on the basis of historical information, actuarial analyses and the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to take account of new and available information. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

B. Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of

the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries African Reinsurance Corporation (South Africa) Limited, Africa Retakaful (Egypt) and Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiary companies in the corporation's books are carried at cost less provision for impairment.

Annual Report & Accounts 2021
Notes to the Financial Statements

C. Use of estimates in the preparation of financial statements

The preparation of the consolidated financial statements require management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of income and expense during the reporting period.

These estimates are determined on the basis of historical information, actuarial analyses and other analytical techniques. Actual results could differ from these estimates.

A significant degree of judgement has been used in the determination of the adequacy of provision for outstanding claims and claims incurred but not reported at the reporting date. In addition, the income statement includes estimates for premium, claims and charges data that were not received from ceding companies at the date of the financial statements. There were also estimates of expenses incurred but not yet invoiced as at reporting date.

Estimation of outstanding claims and IBNR
The liability for outstanding claims and claims incurred but not reported at the reporting date is based on the estimates of the ultimate cost of settling claims based on both internal estimates and information provided by cedants.

The estimation is performed by using a range of standard actuarial claims projection techniques such as Chain Ladder, Expected Loss Ratio, Bornheutter Ferguson and Cape Cod methods. These methods use observed historical claim settlement and reporting patterns to assess future claims settlement amounts. In general, reserving is done at portfolio levels such that contracts that are managed together and with similar features are analysed together. The current reserving levels are by profit centre, main class of business and underwriting year.

Additional segregation such as large and catastrophe claims, separation of proportional and non-proportional treaties is used where appropriate and practicable.

Estimation of Pipeline items
Pipeline premium in respect of a particular quarter represents premium written on proportional treaties during the quarter but not yet reported by ceding companies at the closing date of the quarter, as well as missing statements of previous quarters. It is generally estimated contract by contract, using annual premium estimates, adjusted for actual statements received to date. However, for practical reasons, statistical methods are also used to validate the overall figures.

Provisions for pipeline losses in respect of a particular quarter are the estimated claims payable on proportional treaties in respect of outstanding statements of accounts to be received after the closing date of the quarter. It is calculated on the basis of the assumed annual loss ratio.

Pipeline acquisition costs represent accrued acquisition costs relating to pipeline premium. This is estimated contract by contract, by applying the contractual percentages to the pipeline premium.

Estimation of Reinsurance Receivables
The carrying value of reinsurance receivables are reviewed and estimated for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment amount is determined in relation to the time a receivable has been due as well as the financial condition of the debtor. Impairment can be as high as the outstanding net balance.

Estimation of Expenses
Accruals for incurred expenses not yet invoiced at year end is developed based on current contract and expense levels, adjusted for expected expense inflation, if appropriate.

D. Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the ceding company or cedant) by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

E. Recognition and measurement of insurance contracts

Short-term insurance contracts are accounted for on an annual basis. The Group also accounts for long-term insurance contracts on an annual basis.

(i) Short-term insurance contract premium

Written premium on short-term insurance contracts comprises premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premium income for the period includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the period. Where statements of insurance contract accounts have not been received at year-end, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium or commission. Premium relating to the expired risk period is taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a provision for unearned premium.

The outward reinsurance premiums relating to earned premiums are recognised as expense in accordance with the reinsurance services received.

(ii) Unearned premium provision for short-term insurance contracts

The portion of gross written premium on short-term insurance contracts, which is estimated to be earned in the following or subsequent years, is accounted for as unearned premium provision. For proportional treaty business, this is computed separately for each contract at the reporting date, using 50% of written premium in respect of the current underwriting year for Africa Re Group excluding the South African subsidiary, where computation is based on the one-over-eighth method. For non-proportional and facultative business this is computed on the pro-rata basis. Where the nature of the underlying business and risk does not justify the use of the above methods, the unearned premium provision is calculated on basis relevant to the risk profile of the insurance contract.

(iii) Claims arising from short-term insurance contracts

Claims incurred in respect of short-term insurance contracts consist of claims and claims handling expenses paid during the financial year as well as movements in provision for outstanding claims and claims incurred but not reported (IBNR).

Outstanding claims comprise provisions for all the Corporation's estimated ultimate costs of settling all claims incurred but unpaid at the reporting date whether reported or not and related claim handling expenses. Outstanding claims that have occurred at the reporting date and have been notified to the Corporation by the cedants are carried at their face value. Adequate provisions are also made for claims incurred but not reported at the reporting date using historical experience and best available information. Outstanding claim provisions are disclosed at their carrying amounts and are not discounted except where there is a particularly long period from the claim incident to settlement in which case outstanding claims are discounted using a discount rate that best reflects current assessment of time value of money and associated risks. Anticipated reinsurance recoveries on claims are disclosed separately as assets.

(iv) Unexpired risk provision for short-term insurance contracts

Where the expected value of claims liabilities and expenses attributable to the unexpired periods of the insurance contracts in force at the reporting date exceed the unearned premium provision relating to those contracts after deduction of any deferred costs, provision is made for unexpired risks for the estimated excess liabilities.

(v) Claims arising from long-term insurance contracts

Claims incurred in respect of long-term insurance contracts consist of claims arising during the year including provision for policyholder liabilities. Outstanding claims on long-term insurance contracts that have occurred at the reporting date and have been notified to the Corporation by the cedants are carried at the claim amounts advised by the cedants.

The operating surpluses or losses arising from insurance contracts are determined by regular actuarial valuation. These surpluses or losses are arrived at after taking into account the movement in actuarial liabilities under unmatured policies, provisions for profit commissions accrued and adjustments to contingency and other reserves within the policyholder liabilities.

F. Property and equipment

Property and equipment are stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenses are treated as other repairs and maintenance costs and charged to the income statement during the financial period in which they are incurred.

Assets under construction are stated at costs. They represent costs incurred to date on on-going building projects.

Freehold land is not depreciated. Depreciation is calculated on other property and equipment from the date an asset is available for use on the straight-line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

- Buildings: 2% or over the lease period if less than 50 years
- Furniture, fittings and equipment: between 6.67% and 33.33%
- Motor vehicles: 25%

Asset residual values and their estimated useful lives are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Property and equipment are derecognised when damaged, obsolete, disposed or when no future economic benefits are expected from its use.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amounts.

G. Intangible assets

(i) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life (4 years) of the software.

Computer software development costs that are directly associated with the production of identifiable software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortised from the date they are available for use on a straight-line method over their estimated useful lives, not exceeding a period of four years.

After initial recognition, software acquired is carried at its cost less any accumulated amortization and any accumulated impairment losses. Maintenance costs are expensed when incurred.

(ii) Deferred acquisition costs and deferred retrocession commission

Acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the conclusion of insurance contracts. The proportion of acquisition costs and commission income that correspond to the unearned premiums are deferred and amortised on a pro rata basis over the contract term.

H. Investment property

Property held for long-term rental yields that is not occupied by any component of the Group is classified as investment property.

Investment property comprises freehold land and buildings.

Investment property is initially measured at cost and subsequently at historical cost less depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on buildings is calculated on a straight-line basis to write down the cost of each building to its residual value over a period of 50 years or the remaining lease period if the lease period of the land on which the building is located is less than 50 years.

The carrying amount of investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Most of the Corporation's office buildings were built partly for its own use and for generating income. Allocation between Property and Investment is solely based on use.

Transfers to and from Investment Property take place only when there is a change in use.

Change in use occurs when there is commencement of or end of owner-occupation and inception of an operating lease to another party.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease.

I. Financial assets and liabilities

Financial assets – Recognition, classification and measurement

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The group classifies its financial assets into the following categories:

i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently re-measured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs.

All related realised and unrealised gains and losses are included in the profit or loss. Interest earned whilst holding held for trading investments is reported as investment income.

iii) Held to maturity investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the group has the intention and ability to hold to maturity.

After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowances for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation and losses arising from impairment of such investments are recognised in the profit or loss.

iv) Available for sale financial assets

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognised at cost. Available for sale investments are subsequently re-measured to fair value, based on quoted bid prices or amount derived from cash flow models or the value of the share from the latest financial statements available. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using effective interest method, and foreign exchange gains and loss on monetary assets which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment of receivables arises when there is a significant financial difficulty of the counter party or when there is a default or delinquency in the interest or principal payments. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

The carrying amount of the financial asset is reduced by the impairment loss indirectly through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss for the year. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

The Group does not have financial liabilities classified as at FVTPL.

Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangements, borrowings and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

De-recognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The condition is met when the liability is settled by paying the creditors, or when the Group is released from primary responsibility for the financial liability either by process of law or by creditor.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

J. Reinsurance receivables

All amounts receivable are initially recognised at fair value.

Amounts recoverable under the retrocession contracts are recognised in the same year as the related claims and are disclosed in the income statement and statement of financial position on a gross basis.

Amounts recoverable under reinsurance and retrocession contracts are assessed for impairment losses at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the company will receive from the debtors.

The carrying amounts of the assets are reduced by the impairment losses and the impairment losses recognised in the profit or loss account for the period.

Annual Report & Accounts 2021
Notes to the Financial Statements

K. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents, comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

L. Impairment of non-financial assets

Impairment exists when there is objective evidence that the carrying amount of an asset exceeds the higher of its fair value or its value in use. The Corporation carries out an assessment of its non-financial assets periodically.

Land and buildings are valued by external Consultants triennially.

To maintain their expected levels of performance and estimated useful life, significant pieces of plant and equipment are subject to service and maintenance contracts with the Original Equipment Manufacturers or their authorized agents. Other non-financial assets are assessed internally on annual basis for continuous performance and usefulness. A financial assessment of impaired assets is carried out to determine whether they should be refurbished or replaced. Costs of refurbishment are capitalised if there is objective evidence that such refurbishment will result in an increase in the useful life of the asset, otherwise, it will be treated as expense in the statement of profit or loss. Others are derecognised through disposal and replaced.

Impairment assessment on computer software is carried out through a review of the cost incurred to date and outstanding cost to completion for those under development or maintenance costs for those in use. These costs are compared with the original budget.

M. Other receivables and prepayments

Other receivables are measured at amortised cost and stated after deductions of amount considered impaired. When a debt is deemed not collectible, it is written-off against the related provision or directly to the profit and loss account to the extent not previously provided for. Any subsequent recovery of written-off debts is credited to the profit and loss account. Other receivables are primarily loans to staff, sundry debtors and accrued income

Prepayments are carried at cost less accumulated impairment losses and are amortised on a straight-line basis to the profit and loss account.

N. Foreign currency translation

(i) Functional and presentation currencies

The Group's constituent offices are geographically dispersed within Africa, and it conducts its operations in several currencies.

The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency:

(a) the currency:

- that mainly influences sales prices for goods and services; and
- of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

(b) the currency that mainly influences labour, material and other costs of providing goods or services.

The functional currencies of the group's constituent offices have been determined as currencies of countries in which they are established.

In line with IAS 21 revised, the group has selected, United States dollars, as its presentation currency.

(ii) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

At the end of each reporting period:

a) foreign currency monetary items shall be translated using the closing rate,

b) non monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, and

c) non monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each profit and loss account are translated at average exchange rates prevailing over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

c) all resulting exchange differences are recognised in the translation reserve in equity.

In line with IAS 21 revised, the group's constituent offices are considered as foreign operations and are consolidated as such.

O. Leases

The Corporation assesses every contract at inception to determine whether it contains a lease. Contracts in which the right to control the use of an identified assets for a period in exchange for consideration by an entity within the group are classified as leases.

The Corporation as a lessee applies a single recognition and measurement approach for all leases.

Payments made under short-term leases and low-value leases are charged to profit or loss on the straight-line basis over the period of the lease.

Right-of-use assets are recognised at cost at the commencement date of the lease. They are subsequently measured at cost less accumulated depreciation. Right-of-use assets are depreciated over the shorter of lease term and the average useful lives of the underlying assets (building).

P. Employee benefits

Short-term employee benefits

Employee entitlements to service pay and annual leave are recognised when they accrue to employees. The cost of short-term employee benefits is recognised in the period in which the service is rendered and are not discounted.

Retirement benefit obligations

The Corporation operates a defined contribution retirement benefit scheme and an unfunded defined benefit service gratuity scheme for its employees. Under the defined contribution scheme, the Corporation pays fixed contributions into a separate entity.

Once the contributions have been paid, the Group retains no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to finance benefits accruing under the retirement benefit plan.

The employee's entitlements to retirement benefits under the gratuity scheme depend on the individual's years of service and terminal salary.

The Group's contributions to the defined contribution schemes are charged to the statement of profit or loss in the year to which they relate.

The liability recognised in the statement of financial position in respect of the unfunded defined service gratuity scheme is the present value of the defined benefit obligation at the reporting date. The liability is computed internally using the guidelines on qualification. Qualifying staff are those that have been in service of the Corporation for 6 to 24 years. Annual incremental costs are charged to the statement of profit or loss.

Other employee benefits

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognised as an expense and classified under staff costs. The related liabilities are included in current liabilities in the statement of financial position.

Other employee benefits are recognised when they accrue to employees.

Q. Income tax

In accordance with Article 51 of the Agreement Establishing the African Reinsurance Corporation, the Corporation is not subject to tax in member States. Tax expense/(income) therefore comprises current and deferred taxes arising only in South Africa in respect of the South Africa subsidiary and is computed in accordance with South African tax laws.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current and deferred tax for the year

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income.

R. Dividends

Dividends payable are recognised as a liability in the period in which they are approved by the shareholders.

S. Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Shares are issued at par value; any amount received over and above the par value is classified as share premium in equity.

T. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

U. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Annual Report & Accounts 2021
Notes to the Financial Statements

4 Investments

i) Investments by category

	2021 US$'000	2020 US$'000
Held to maturity		
Bank deposits	285,324	300,137
Deposits with ceding companies	172,183	171,732
Fixed rate securities held to maturity	24,222	297,785
Floating rate securities at cost	46,240	41,132
	827,969	810,786
Fair value through profit or loss		
Fixed rate securities at fair value through profit or loss	97,794	95,400
Floating rate securities at fair value through profit or loss	41,802	41,466
Quoted equity investments at fair value through profit or loss	89,745	83,221
	229,341	220,087
Available for sale		
Unquoted equity investments at fair value	61,246	56,053
Unquoted equity investments at cost less impairment	-	936
	61,246	56,989
	1,118,556	**1,087,862**
Comprising:		
Current portion	441,263	432,400
Non-current portion	677,293	655,462
	1,118,556	**1,087,862**

Fixed rate securities held to maturity are presented in the Group's statement of financial position at their amortized costs as at 31 December 2021 of US$324,222,486 (2020: US$297,785,331). The fair value of the Held to Maturity assets as at 31 December 2021 was US$369,275,987 (2020: US$313,168,804).

Unquoted equity investments are valued at fair value through OCI of US$61,246,441 (2020: US$56, 56,988,933).

ii) Weighted average effective interest rates

Fair value through profit or loss	2021 %	2020 %
Interest-bearing investments denominated in:		
US Dollars	2.91	3.96
Euro	1.93	1.29
South African Rand	4.10	6.76

iii) Fair value measurements recognised in the statement of financial position

The tables that follow below provide an analysis of the Corporation's financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2021			
Fair value through profit or loss	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total **US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	229,341	-	-	**229,341**
Available-for-sale financial assets				
Unquoted shares	-	61,246	-	**61,246**
Total	**229,341**	**61,246**	**-**	**290,587**

This represents fixed rate securities at fair value through profit or loss and quoted equity investments at fair value through profit or loss.

	31/12/2020			
Fair value through profit or loss	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total **US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	220,087	-	-	**220,087**
Available-for-sale financial assets				
Unquoted shares	-	56,989	-	**56,989**
Total	**220,087**	**56,989**	**-**	**277,076**

		2021 US$'000	2020 US$'000
5	**Deferred Acquisition Costs**		
	At 1 January	60,762	60,978
	Exchange loss on opening balance	(224)	(105)
		60,538	60,873
	Paid during the year	222,418	216,475
	Incurred during the year (Note 20)	(224,410)	(216,586)
	At 31 December	**58,546**	**60,762**
	Current portion	53,396	59,751
	Non-current portion	5,150	1,011
		58,546	**60,762**
6	**Reinsurance receivables**		
	Gross receivables arising from reinsurance arrangements	199,996	205,496
	Provision for impairment	(67,656)	(58,944)
		132,340	**146,552**
	Comprising:		
	Current portion	78,889	91,001
	Non-current portion	53,451	55,551
		132,340	**146,552**
7	**Retrocessionnaires share of technical provisions**		
	Claims recoverable	91,391	88,886
	Deferred retrocession premiums	35,970	32,176
		127,361	**121,062**
	Comprising:		
	Current portion	62,637	44,929
	Non-current portion	64,724	76,133
		127,361	**121,062**
	Claims Recoverable		
	At 1 January	88,886	104,606
	Recovered during the year	(33,108)	(64,381)
	Share of loss incurred during the year (Note 19)	35,613	48,661
	At 31 December	**91,391**	**88,886**
	Deferred retrocession premiums		
	At 1 January	32,176	34,902
	Retrocession premium paid during the year	178,724	153,649
	Retrocession premium utilised during the year (Note 16)	(174,930)	(156,375)
	At 31 December	**35,970**	**32,176**

Annual Report & Accounts 2021
Notes to the Financial Statements

8 Investment properties

	2021 US$'000	2020 US$'000
Cost		
At 1 January	20,923	16,263
Transfer from buildings (Note 9)	1,169	4,660
Transfer to buildings (Note 9)	(264)	-
Additions	88	-
At 31 December	21,916	20,923
Depreciation		
At 1 January	2,897	2,528
Charge for the year	676	369
At 31 December	3,573	2,897
Net book value	**18,343**	**18,026**

The following amounts have been recognised in statement of profit or loss and other comprehensive income in respect of investment properties:

	2021 US$'000	2020 US$'000
Net rental income (Note 17)	**1,313**	**1,549**

Investment properties represent the lettable portion of the Corporation's headquarters building, two Residential buildings in Lagos, as well as regional office buildings in Nairobi, Casablanca and Mauritius.

The Corporation updates the market values of all buildings, including investment properties, triennially by engaging qualified firms of Estate Surveyors.

At 20 March 2020, the market value of the headquarters building was estimated at US$ 38.25 million (net book value at Dec. 2021 : US$ 5.65 million) based on a valuation by Knight Frank (FRC/2013/0000000000584), a firm of Estate Surveyors.

At 7 August 2020, the market value of the two residential buildings in Lagos was estimated at US$14.23 million (net book value at 31 Dec. 2021: US$ 8.19 million) based on a valuation by Knight Frank, a firm of Estate Surveyors. Additional costs incurred on the two properties during the year totaled US$1,169,192.

At 31 December 2019, the market value of the Casablanca regional office building was estimated at US$ 10.36 million (net book value at 31 Dec. 2021: US$ 3.35 million) based on a valuation by Ceinture Immo, a firm of Estate Surveyors.

At 31 December 2019, the market value of the Nairobi regional office building was estimated at US$ 8.48 million (net book value at 31 Dec. 2021: US$ 1. 70 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

Mauritius office building was completed in October 2020. The total cost of the Corporation's share was US$6.166 million. The details of the Corporation's share was analysed in 2021 and Equipment and fittings totalling US$264,356 was reclassified accordingly.

Details of the group's investment properties and information about the fair value hierarchy as at 31 December 2021 as follows:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2021
	US$'000	US$'000	US$'000	US$'000
Headquarters building	-	38,249	-	38,249
Residential Buildings in Lagos	-	14,232	-	14,232
Casablanca regional office building	-	10,362	-	10,362
Nairobi regional office building	-	8,481	-	8,481
Mauritius regional office building	-	6,166	-	6,166

There were no transfers between levels 1 and 2 during the year.

	Level 1	Level 2	Level 3	Fair value as at 31/12/2020
	US$'000	US$'000	US$'000	US$'000
Headquarters building	-	38,249	-	38,249
Residential Buildings in Lagos	-	14,232	-	14,232
Casablanca regional office building	-	10,362	-	10,362
Nairobi regional office building	-	8,481	-	8,481
Mauritius regional office building	-	6,166	-	6,166

There were no transfers between levels 1 and 2 during the year.

Annual Report & Accounts 2021
Notes to the Financial Statements

9 Property and equipment

	Assets under construction US$'000	Buildings & freehold Land US$'000	Fittings & Equipment US$'000	Motor vehicles US$'000	Total US$'000
Year ended 31 December 2021:					
Cost					
At 1 January	**14,173**	**23,895**	**16,399**	**1,746**	**56,213**
Additions	1,453	283	739	360	**2,835**
Disposals	-	-	(593)	(133)	**(726)**
Reclassifications/Transfer	(10,217)	8,527	779	-	**(911)**
At 31 December	**5,409**	**32,705**	**17,324**	**1,973**	**57,411**
Depreciation					
At 1 January	**-**	**4,975**	**14,009**	**1,365**	**20,349**
Depreciation charge	-	151	1,242	201	**1,594**
Reclassifications/Transfer	-	-	219	-	**219**
Disposals	-	-	(589)	(121)	**(710)**
At 31 December	**-**	**5,126**	**14,881**	**1,445**	**21,452**
Net Book Value	**5,409**	**27,579**	**2,443**	**528**	**35,959**
Year ended 31 December 2020:					
Cost					
At 1 January	**16,533**	**23,307**	**16,373**	**1,694**	**57,907**
Additions	2,300	699	379	155	**3,533**
Disposals	-	(111)	(353)	(103)	**(567)**
Transfer to Investment Property	(4,660)	-	-	-	**(4,660)**
At 31 December	**14,173**	**23,895**	**16,399**	**1,746**	**56,213**
Depreciation					
At 1 January	**-**	**4,599**	**13,274**	**1,250**	**19,123**
Depreciation charge	-	488	1,072	197	**1,757**
Disposals	-	(112)	(337)	(82)	**(531)**
At 31 December	**-**	**4,975**	**14,009**	**1,365**	**20,349**
Net Book Value	**14,173**	**18,920**	**2,390**	**381**	**35,864**

Included in buildings and freehold land is a total amount of US$6,313,554 (2020: US$6,614,718) representing the carrying amount of the owner-occupied proportion of the Corporation's headquarters building in Lagos and regional office buildings in Nairobi, Casablanca and Mauritius. The assets under construction represent fixed assets in progress.

Included in above are assets with a total cost of US$17,711,218 (2020: US$12,230,895) which were fully depreciated as at 31 December 2021. The normal depreciation charge on these assets would have been US$3,436,822.39 (2020: US$2,288,005).

.

10 Intangible Assets

	Computer Software US$'000	Computer Software in progress US$'000	Total US$'000
Year ended 31 December 2021:			
Cost			
At 1 January	**4,983**	**1,964**	**6,947**
Additions	6,743	-	**6,743**
At 31 December	**11,726**	**1,964**	**13,690**
Amortisation			
At 1 January	**4,606**	**-**	**4,606**
Charge for the year	844	-	**844**
At 31 December	**5,450**	**-**	**5,450**
Net book value	**6,276**	**1,964**	**8,240**
Year ended 31 December 2020:			
Cost			
At 1 January	4,621	1,964	**6,585**
Additions	362	-	**362**
At 31 December	**4,983**	**1,964**	**6,947**
Amortisation			
At 1 January	3,942	-	**3,942**
Charge for the year	664	-	**664**
At 31 December	**4,606**	**-**	**4,606**
Net book value	**377**	**1,964**	**2,341**

Included above are assets with a total cost of US$4,597,392 (2020: US$2,075,567) which were fully amortised as at 31 December 2021.

Annual Report & Accounts 2021
Notes to the Financial Statements
Africa Re

11 Reinsurance payables

	2021 US$'000	2020 US$'000
Payables under reinsurance arrangements	72,392	59,836
Payables under retrocession arrangements	39,361	25,769
	111,753	**85,605**
Comprising:		
- current portion	48,957	51,323
- non-current portion	62,796	34,282
	111,753	**85,605**

12 Deferred tax

Deferred tax relates only to a subsidiary company, African Reinsurance Corporation South Africa (ARCSA) and is calculated in full using the liability method and applying a principal tax rate of 28%. The movement on the deferred tax account is as follows:

	2021 US$'000	2020 US$'000
At 1 January	123	177
Exchange rate impact on opening balance	(10)	(5)
Debit/(Credit) to profit or loss (Note 23)	581	(49)
	694	**123**

Deferred tax assets, liabilities and deferred tax charge/(credit) in the financial statements are attributable to the following items:

	01.01.21 US$'000	Charged to P/L US$'000	31.12.21 US$'000	31.12.20 US$'000
Excess depreciation over capital allowances	(82)	7	(75)	(82)
Unrealised gain on revaluation of investments	337	546	873	337
Accumulated losses	(126)	32	(94)	(126)
Exchange rate impact on opening balance	(6)	(4)	(10)	(6)
Net deferred tax liability	**123**	**581**	**694**	**123**

13 Technical provisions

i) Analysis of outstanding balances

	2021 US$'000	2020 US$'000
Provision for reported claims	475,914	442,450
Provision for claims incurred but not reported (IBNR)	126,762	122,160
Total provision for claims and IBNR	602,676	564,610
Cumulative translation reserve	(91,310)	(91,310)
Total outstanding claims	511,366	473,300
Provision for unearned premiums	229,732	227,384
	741,098	**700,684**
Comprising:		
- current portion	332,337	332,706
- non-current portion	408,761	367,978
	741,098	**700,684**

ii) Provision for reported claims and IBNR

	2021 US$'000	2020 US$'000
At 1 January	473,300	437,008
Exchange loss on opening balance	(7,946)	(3,363)
	465,354	433,645
Paid during the year	(382,352)	(413,973)
Incurred during the year (Note 19)	428,364	453,628
At 31 December	**511,366**	**473,300**

iii) Provision for unearned premium

	2021 US$'000	2020 US$'000
At 1 January	227,384	234,745
Exchange loss on opening balance	(833)	(382)
	226,551	234,363
Received during the year	845,807	804,774
Earned during the year (Note 16)	(842,626)	(811,753)
At 31 December	**229,732**	**227,384**

iv) Analysis of outstanding claims reserve development per underwriting year

U/W YR	2011 US$'000	2012 US$'000	2013 US$'000	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000	2021 US$'000
Gross technical provision	**273,011**	**332,025**	**320,708**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**	**378,240**	**332,706**	**332,337**
Gross paid (Cumulative):											
1 year later	109,553	127,919	141,640	137,782	119,797	139,091	180,724	160,703	139,180	121,206	111,737
2 years later	176,775	176,723	193,990	185,366	192,806	246,051	258,467	232,975	195,761	-	-
3 years later	197,220	210,569	211,660	202,682	222,112	284,952	301,437	267,770	-	-	-
4 years later	206,520	220,543	217,154	214,525	255,789	327,833	314,342	-	-	-	-
5 years later	212,220	225,959	228,459	222,364	263,542	338,850	-	-	-	-	-
6 years later	215,768	230,311	233,006	226,689	274,627	-	-	-	-	-	-
7 years later	218,747	262,295	239,483	233,309	-	-	-	-	-	-	-
8 years later	221,043	264,280	241,404	-	-	-	-	-	-	-	-
9 years later	222,587	265,220	-	-	-	-	-	-	-	-	-
10 years later	224,682	-	-	-	-	-	-	-	-	-	-
Re-estimated as of: UWYEAR	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Closed year	**273,011**	**332,025**	**218,241**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**	**378,240**	**332,706**	**332,337**
1 year later	224,140	211,157	218,241	209,562	207,895	220,330	266,126	358,229	320,999	271,320	-
2 years later	224,929	211,533	217,345	205,796	210,040	218,945	352,974	307,021	306,650	-	-
3 years later	222,622	211,983	218,897	204,066	228,995	284,336	363,798	320,081	-	-	-
4 years later	221,348	212,662	221,573	203,567	223,315	360,119	365,508	-	-	-	-
5 years later	220,850	213,708	203,403	229,479	287,911	364,793	-	-	-	-	-
6 years later	220,591	221,659	231,458	239,858	296,975	-	-	-	-	-	-
7 years later	212,730	203,517	250,798	245,420	-	-	-	-	-	-	-
8 years later	222,418	276,190	253,953	-	-	-	-	-	-	-	-
9 years later	229,330	274,803	-	-	-	-	-	-	-	-	-
10 years later	230,384	-	-	-	-	-	-	-	-	-	-
Gross redundancy/ (deficiency)	**42,627**	**57,222**	**66,755**	**132,031**	**19,865**	**(56,016)**	**(2,464)**	**41,093**	**71,590**	**61,386**	**-**

14 Other reserves

	2021 US$'000	2020 US$'000
General reserve	383,825	364,413
Reserve for exchange fluctuation	6,294	6,294
Reserve for loss fluctuation	58,600	57,600
Reserve for market value adjustment	4,874	9,408
Translation reserve	(182,628)	(156,654)
	270,965	**281,061**

(i) General reserve

An amount equivalent to 50% of the net profit for each year is set aside as a general reserve in accordance with General Assembly resolution number 4/1992.

(ii) Reserve for exchange fluctuation

The reserve for exchange fluctuation represents an amount set aside by the Directors from the profits for each year to cushion the effects of adverse movements in exchange rates in the countries of operation.

(iii) Reserve for loss fluctuation

The reserve for loss fluctuation represents an amount over and above the outstanding claims provision set aside by the directors from the profits of each year to moderate the effects of possible fluctuation in losses in future years.

(iv) Translation reserve

The translation reserve represents the unrealised exchange gains or losses arising from translation of the corporation's assets and liabilities from the various functional currencies to the corporation's presentation currency at each reporting date.

(v) Reserve for market value adjustment

The reserve for market value adjustment represents the unrealised gain or loss arising from the changes in the fair value of the financial assets classified as available for sale.

Movements in the other reserves are shown in the statement of changes in equity on page 59.

15 Share capital

	2021 Number	2020 Number
Authorised share capital	**5,000,000**	**5,000,000**
Issued and fully paid	**2,863,611**	**2,858,611**

	US$'000	US$'000
Issued and fully paid at 31 December	286,361	285,861
Par value per share	**$100**	**$100**

The movement in issued and fully paid share capital is as below:

	US$'000	US$'000
At 1 January	285,861	285,861
Issue of ordinary shares	500	-
At 31 December	**286,361**	**285,861**

Annual Report & Accounts 2021
Notes to the Financial Statements
Africa Re

16 Earned premium

The premium income of the group is analysed into the main classes of business as shown below:

	2021			2020		
	Gross US$'000	Retrocession US$'000	Net US$'000	Gross US$'000	Retrocession US$'000	Net US$'000
Fire and accident	733,578	(159,605)	573,973	618,998	(69,048)	549,950
Marine and aviation	45,793	(6,624)	39,169	131,454	(78,127)	53,327
Life	63,255	(8,701)	54,554	61,301	(9,200)	52,101
	842,626	**(174,930)**	**667,696**	**811,753**	**(156,375)**	**655,378**

17 Investment income

	2021 US$'000	2020 US$'000
Held to maturity		
Interest income from bank deposits	14,280	19,466
Interest income from deposits with ceding companies	2,117	2,469
Interest income from fixed rate securities HTM	16,565	9,482
interest income from Floating rate Notes	3,249	1,233
	36,211	**32,650**
Fair value through profit or loss		
Interest income from fixed rate securities at fair value through profit or loss	3,288	4,059
Dividend from quoted equity investments at fair value through profit or loss	1,580	1,324
Fair value gains from quoted equity investments	5,536	4,287
Fair value gains from listed bonds	(2,152)	2,325
	8,252	**11,995**
Available for sale		
Dividend from unquoted equity investments at cost less impairment losses	**1,456**	**236**
Rental Income	1,313	1,549
Realized gains on equity portfolios	10,733	3,755
Realized losses on bond portfolios	(5,627)	3,297
Management fees from equity portfolio	(577)	(561)
Management fees from bond portfolios	(723)	(611)
	5,119	**7,429**
Total	**51,038**	**52,310**

18 Other operating income

Fee income	2,546	1,106
Gain on disposal of property and equipment	13	27
Sundry income	541	148
	3,100	**1,281**

Fee income relate to fees received from management of Aviation and Oil & Energy Pools. The pools are special purpose vehicles established by a consortium of insurance and reinsurance companies in Africa.

19 Claims incurred

	2021			2020		
Claims incurred by principal class of business;	Gross US$'000	Retrocession US$'000	Net US$'000	Gross US$'000	Retrocession US$'000	Net US$'000
Fire and accident	368,448	(33,342)	335,106	368,772	(17,373)	351,399
Marine and aviation	10,580	2,607	13,187	53,368	(28,225)	25,143
Life	49,336	(4,878)	44,458	31,488	(3,063)	28,425
	428,364	**(35,613)**	**392,751**	**453,628**	**(48,661)**	**404,967**

20 Other reserves

	2021 US$'000	2020 US$'000
Commission	192,811	188,853
Charges	29,385	27,622
Movement in deferred acquisition cost	2,214	111
	224,410	**216,586**

21 Administrative expenses

Staff costs	26,938	25,834
Auditors' remuneration	331	270
Depreciation on property and equipment	1,594	1,757
Depreciation on investment property	676	369
Amortisation of intangible assets	844	664
Impairment charge on reinsurance receivables	8,777	12,758
Short term lease rentals	138	245
Repairs and maintenance expenditure	955	848
Consultancy fees	1,180	1,070
Travel costs and allowances	89	85
General Assembly and Board of Directors' meetings	1,325	1,038
Electricity and water	413	375
Insurance	673	529
Communication expenses	293	294
Advertisement and entertainment	456	414
Training and subscriptions	421	114
Technical assistance	112	33
Medical expenses	568	454
Computer and word processing	1,957	1,875
Transport and maintenance	61	80
Bank charges and other fees	528	539
Office expenses	234	278
Legal expenses	297	164
Donations	36	10
	48,896	**50,097**

Staff costs include retirement benefit costs amounting to US$1,474,909 (2020: US$2,510,907).

Annual Report & Accounts 2021
Notes to the Financial Statements
Africa Re

22 Net foreign exchange loss

These comprise of currency translation losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

	2021 US$'000	2020 US$'000
Net foreign exchange loss	47,783	9,247

23 Taxation

In accordance with Article 51 of the Agreement Establishing the African Reinsurance Corporation, the Corporation is not subject to tax in member States. The tax charged in the financial statements relates to a subsidiary company's profit, which is computed in accordance with the income tax rules applicable in the subsidiary company's jurisdiction, the Republic of South Africa.

Tax charged in the financial statements is made up of:

	2021 US$'000	2020 US$'000
Current income tax charge	1,512	2,721
Deferred income tax credit (Note 12)	581	(49)
	2,093	**2,672**

The movement in the tax recoverable account is as follows:

At 1 January	490	2,721
Current tax charge for the year	(1,512)	2,721
Tax paid	1,022	733
At December	**–**	**490**

Tax rate reconciliation	**%**	**%**
Effective tax rate	23	27
Exempt income	2	2
Disallowed expenses	-	-
Capital gains tax	3	-
Overprovision prior years	-	-
Other	-	-
South African standard corporate tax rate	**28**	**28**

24 Dividends

At the Annual General Meeting (AGM) to be held on 27 July 2022, a final dividend in respect of the year ended 31 December 2021 of US$ 8.80 per share on 2,863,611 (2020: 2,858,611) existing shares amounting to a total of US$ 25,199,777 (2020: US$ 25,155,777) is to be proposed. The dividend declared at the AGM held on 30 June 2021 was charged to shareholders' equity in this financial statements. The liability for the dividend payable on the 2021 results shall be treated as an appropriation of profit in the financial statements for the year ending 31 December 2022.

The movement in the dividends payable account is as follows:

	2021 US$'000	2020 US$'000
At 1 January	9,415	5,157
Final dividends declared	25,156	25,156
Dividends paid	(22,932)	(20,898)
At 31 December	**11,639**	**9,415**

25 Notes to the statement of cash flows

a) Reconciliation of profit before tax to cash generated from operations:

	Notes	2021 US$'000	2020 US$'000
Profit before income tax		40,916	58,381
Adjustments for:			
Investment income net of management fees		(54,125)	(53,591)
Depreciation on investment property	8	676	369
Depreciation on property and equipment	9	1,594	1,757
Amortisation of intangible assets	10	844	664
Gain on disposal of property and equipment	18	(13)	(27)
Working capital changes;			
- Premium income receivable		3,850	393
- Deferred acquisition costs		1,441	540
- Reinsurance receivables		14,212	19,524
- Retrocessionnaires' share of technical provisions		(6,300)	18,446
- Sundry receivables		3,248	12,218
- Sundry payables		(6)	357
- Exchange difference on deferred tax opening balance	12	(10)	(5)
- Reinsurance payables		26,149	(9,314)
- Technical provisions		40,415	28,931
Cash generated from operations		**72,891**	**78,643**

b) Cash and cash equivalents

Cash and bank balances	177,926	175,130
Bank deposits with financial institutions maturing within 90 days	151,518	119,665
Cash and cash equivalents	**329,444**	**294,795**

26 Sundry Payable

	Notes	2021 US$'000	2020 US$'000
Current income tax		639	-
Short term employee benefits		3,241	2,105
Accrued Expenses		6,248	742
Deferred rental income		233	236
Tenants current account		(202)	842
Other payable		525	5,450
Long term employee benefits		8,207	7,769
		18,891	**17,144**
Comprising:			
- current portion		5,282	6,539
- non-current portion		13,609	10,605
		18,891	**17,144**

27 Related party transactions and balances

Transactions between African Reinsurance Corporation and subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes.

African Reinsurance Corporation has established a Staff Provident Fund to provide a long-term savings plan for its employees. The Staff provident fund is considered a related party in accordance with IAS 24. Contributions to the Fund are recognized as expenses.

African Reinsurance Corporation established a Corporate Social Responsibility Foundation to engage in corporate social responsibility projects and initiatives aimed at fostering the development of the insurance and reinsurance industry in Africa.

The Foundation is considered a related party in accordance with IAS 24. Each year, the Corporation allocates an amount up to a maximum of 2% from its yearly net profit after tax to this special fund.

i) Transactions with related parties - Shareholders

No individual shareholder has a controlling interest in the Corporation.

	2021 US$ '000	2020 US$ '000
ii) Administration of Staff Provident fund Contributions paid	1,528	1,552

iii) Remuneration for key management personnel

Key management personnel are defined as members of the board of directors of the Corporation, including their close members of family and any entity over which they exercise control. Close members of the family are those who may be expected to influence or be influenced by that individual in dealings with African Reinsurance Corporation.

The Group's key management personnel and persons connected with them are also considered to be related parties for disclosure purposes.

	2021 US$'000	2020 US$'000
Directors' fees (non-executive directors)	1,077	796
Other remuneration (elected members of management)		
- Salaries and other short-term benefits	1,452	1,508
- Terminal benefits	174	174

iv) Administration of Africa Re Corporate Social Responsibility Trust fund

Funds allocated to the trust fund	576	1,114

Annual Report & Accounts 2021
Notes to the Financial Statements

28 Management of Insurance Risks

Insurance risk

The Corporation reinsures all classes of insurance business including Accident and Health, Engineering, Guarantee, Liability, Motor, Fire, Marine, Energy, Aviation, Disability and Life. The bulk of the business written is short tail in nature.

The risk under any one insurance contract is two-fold: underwriting – the possibility that the insured event occurs and reserving – the uncertainty of the amount of the resulting claim.

The Corporation has developed a detailed underwriting manual covering risk acceptance criteria, pricing, accumulation control, authority levels, and reinsurance protection, among others. It guides the underwriters in their acceptances, on the principles of prudence and professionalism within the overall objective of diversifying the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The priority is to ensure adherence to criteria for risk selection by maintaining high levels of experience and expertise among the underwriting staff. In addition, the Corporation has put in place a business review structure that ensures control of risk quality and conservative use of policy limits, terms and conditions. An independent department, Technical Inspection, ensures adherence to these guidelines through periodic review of each production centre's operations. The reports of the review are submitted to Management and the Audit & Risks Committee of the Board. If the attritional claims incurred were 5% higher, the comprehensive income for the year would be lower by USD 15.9 million (2020: USD 15.8 million).

The Corporation enters into retrocession arrangements with reputable retrocessionnaires to diversify its risks and reduce the risk of catastrophic loss on reinsurance assumed. The retrocession does not relieve the Corporation of its obligations to the ceding companies. As part of its annual renewals, the financial condition of retrocessionnaires is reviewed. As a result, retrocession is placed with a select group of financially secure and experienced companies in the industry. The retrocession arrangements existing are as follows:

31 December 2021

Class of business	**Gross exposure US$' 000**	**Net exposure US$' 000**
Property risk excess of loss	100,000	10,000
Property catastrophe excess of loss	175,000	17,500
Marine & Energy excess of loss	60,000	10,000
Aviation excess of loss	12,000	3,000
	Annual Aggregate Deductible	**Annual aggregate Limit**
Non-Marine Aggregate	17,500	25,000
Marine & Energy Aggregate	5,000	10,000

31 December 2020

Class of business	**Gross exposure US$' 000**	**Net exposure US$' 000**
Property risk excess of loss	100,000	10,000
Property catastrophe excess of loss	150,000	17,500
Marine & Energy excess of loss	60,000	10,000
Aviation excess of loss	12,000	3,000
	Annual Aggregate Deductible	**Annual aggregate Limit**
Non-Marine Aggregate	17,500	25,000
Marine & Energy Aggregate	5,000	10,000

29 Financial risk management

In the normal course of business, the Corporation uses primary financial instruments such as cash and cash equivalents, bonds, equities and receivables and as a result is exposed to potential losses due to various market risks including changes in interest rates, equity prices and foreign currency exchange rates. The Corporation's financial management activities are guided by the financial regulations as well as the investment policy document. Detailed guidelines are provided in the accounting and administrative procedures manuals. They provide the framework for the investing activities and set specific limits and benchmarks for the acceptable levels of counter party exposure, concentration, credit risk, currency risk, liquidity risk and interest rate risk, among others.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its financial assets, which include short-term bank deposits, fixed income securities and receivables.

Short-term bank deposits are placed with financial institutions of very high credit rating and are spread over several of them to avoid undue concentration. The Corporation's financial regulations prescribe minimum acceptable credit rating and maximum allowable exposure to any single counterparty.

The Corporation's fixed income portfolio is managed through use of prudent standards of diversification and rating quality of issues and issuers. Specific provisions limit the allowable holdings of a single issue and issuer and industry or sector. This is to minimise significant concentration risk associated with the fixed income portfolio.

Credit risk relating to receivables is mitigated by the large number of cedants and their dispersion across the continent. A significant number of the companies from whom receivables are due are equally shareholders of the Group. In addition, the liability for outstanding claims is in respect of insurance contracts with the same counter parties. Receivables are presented at present value net of impairment provision. A periodic evaluation of cedants and retrocessionnaires is carried out to minimise exposure to significant losses from insolvencies. Transaction terms are also strictly monitored to keep balances as current as possible.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Maximum exposure	
	2021 US$'000	2020 US$'000
Cash and cash equivalents	329,444	294,795
Investments	967,565	947,652
Reinsurance receivables	132,340	146,552
Sundry receivables	6,714	9,962
Total assets bearing credit risk	**1,436,063**	**1,398,961**

Credit quality of financial assets per asset class-Group

At 31 December 2021:

	Cash & Cash equivalents US$'000	Investments US$'000	Reinsurance receivables US$'000	Sundry receivables US$'000
Neither past due nor impaired	329,444	967,565	78,889	6,714
Past due but not impaired			53,451	
Impaired			67,657	
Gross	329,444	967,565	199,997	6,714
Impairment allowance - collective	-	-	(67,657)	-
Net	**329,444**	**967,565**	**132,340**	**6,714**

At 31 December 2020:

	Cash & Cash equivalents US$'000	Investments US$'000	Reinsurance receivables US$'000	Sundry receivables US$'000
Neither past due nor impaired	294,795	947,652	91,000	9,962
Past due but not impaired			55,552	
Impaired			58,944	
Gross	294,795	947,652	205,496	9,962
Impairment allowance - collective	-	-	(58,944)	-
Net	**294,795**	**947,652**	**146,552**	**9,962**

The credit quality of the portfolio of insurance receivables, investments and other financial asset exposed to credit risk that were neither past due nor impaired can be assessed by reference to the capacity of the business to pay on written businesses.

The assets above are analysed in the table below using Standard & Poor's (S&P) rating (or equivalent when not available from S&P)

At 31 December 2021:

	AAA	AA	A	BBB	Below BBB	Not rated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash & cash equivalents	-	3,215	149,759	31,165	101,149	43,778
Investments	20,348	105,435	243,290	98,187	480,504	19,801
Reinsurance receivables					132,340	
Sundry receivables						6,714
Net	**20,348**	**108,650**	**393,049**	**129,352**	**714,393**	**70,293**

At 31 December 2020:

	AAA	AA	A	BBB	Below BBB	Not rated
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash & cash equivalents	-	3,867	131,356	38,198	90,088	31,286
Investments	26,955	109,337	256,639	88,309	442,928	23,484
Reinsurance receivables	-	-	-	-	146,552	
Sundry receivables	-	-	-	-		9,962
Net	**26,955**	**113,204**	**387,995**	**126,507**	**679,568**	**64,732**

b) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with reinsurance contracts and other obligations as and when due. The Corporation's investment guidelines prescribe minimum levels of financial assets to be held in cash and cash instruments. Cash instruments include bank deposits with maturities of less than 90 days. In addition, the actively managed portfolios are traded on highly liquid markets and as such can easily supplement the Corporation's liquidity requirement in the event of any shortfall.

The table below analyses the Corporation's key financial assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2021 to the earlier of the repricing or contractual maturity date.

29 Financial risk management (Continued)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2021 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	329,444	-	-	-	-	-	**329,444**
Reinsurance premiums receivables	78,889	20,354	23,325	6,485	3,287	-	**132,340**
Deferred retrocession premiums	33,548	558	854	354	137	519	**35,970**
Claims recoverable	29,090	21,114	18,776	6,131	8,370	7,910	**91,391**
	470,971	**42,026**	**42,955**	**12,970**	**11,794**	**8,429**	**589,145**
Investments							
Bank deposits	285,324	-	-	-	-	-	**285,324**
Deposits with ceding companies	33,845	24,102	18,538	7,715	3,046	84,937	**172,183**
Fixed rate securities at fair value	8,563	7,109	8,556	10,976	12,207	50,383	**97,794**
Floating rate securities at fair value through profit or loss	1,309	7,183	12,382	7,325	9,113	4,490	**41,802**
Fixed rate securities at amortized cost	22,477	35,382	26,694	26,047	42,330	171,292	**324,222**
Floating rate securities at cost	-	-	-	-	5,500	40,740	**46,240**
Equity investments at fair value	89,745	-	-	-	-	-	**89,745**
Unquoted equity investments at fair value	-	-	-	-	-	61,246	**61,246**
Total investments	**441,263**	**73,776**	**66,170**	**52,063**	**72,196**	**413,088**	**1,118,556**
Total assets	**912,234**	**115,802**	**109,125**	**65,033**	**83,990**	**421,517**	**1,707,701**
FINANCIAL LIABILITIES							
Sundry payables	5,282	5,049	4,877	1,753	1,930	-	**18,891**
Dividend payable	4,291	3,718	585	224	320	2,501	**11,639**
Reinsurance payables	46,918	30,554	1,080	12,614	20,587	-	**111,753**
Outstanding claims	122,584	143,719	109,656	57,771	51,532	26,105	**511,367**
Total liabilities	**179,075**	**183,040**	**116,198**	**72,362**	**74,369**	**28,606**	**653,650**

29 Financial risk management (Continued)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2020 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	294,795	-	-	-	-	-	**294,795**
Reinsurance premiums receivables	91,001	39,471	16,080	-	-	-	**146,552**
Claims recoverable	13,316	37,956	8,828	11,556	7,837	9,393	**88,886**
Deferred retrocession premiums	31,613	511	46	-	-	6	**32,176**
	430,725	**77,938**	**24,954**	**11,556**	**7,837**	**9,399**	**562,409**
Investments							
Bank deposits	300,137	-	-	-	-	-	**300,137**
Deposits with ceding companies	16,173	42,891	25,055	13,488	4,831	69,294	**171,732**
Fixed rate securities at fair value	12,681	6,855	6,387	8,775	10,321	50,381	**95,400**
Floating rate securities at fair value through profit or loss	301	3,477	19,177	10,065	4,254	4,192	**41,466**
Fixed rate securities at amortized cost	19,887	19,875	38,203	29,938	28,228	161,654	**297,785**
Floating rate securities at cost	-	-	-	-	817	40,315	**41,132**
Equity investments at fair value	83,221	-	-	-	-	-	**83,221**
Unquoted equity investments at fair value	-	-	-	-	-	56,053	**56,053**
Unquoted equity investments at cost less impairment	-	-	-	-	-	936	**936**
Total investments	**432,400**	**73,098**	**88,822**	**62,266**	**48,451**	**382,825**	**1,087,862**
Total	**863,125**	**151,036**	**113,776**	**73,822**	**56,288**	**392,224**	**1,650,271**
FINANCIAL LIABILITIES							
Sundry payables	6,539	2,148	1,368	2,540	3,689	860	**17,144**
Dividend payable	5,311	908	237	334	391	2,234	**9,415**
Reinsurance payables	51,323	13,727	11,341	6,215	2,999	-	**85,605**
Outstanding claims	109,810	177,867	78,958	63,938	32,622	10,105	**473,300**
Total liabilities	**172,983**	**194,650**	**91,904**	**73,027**	**39,701**	**13,199**	**585,464**

29 Financial risk management (Continued)

c) Market risk

i) Interest rate risk

The Corporation's exposure to interest rate changes is primarily concentrated in the actively managed fixed income portfolio, which is reported at fair value. Changes in interest rate will have an immediate impact on the Corporation's reported net profit after tax and consequently the shareholders' funds. The main objective of the fixed income portfolio is current income and price appreciation and therefore to mitigate the effect of price volatility, the portfolio has been positioned with an average duration of less than 5 years.

Note 4 discloses the weighted average interest rate on principal interest-bearing investments.

Interest rate sensitivity	**US$000** 100 bps parallel increase	**US$000** 100 bps parallel decrease
2021	(5,723)	5,723
2020	(6,569)	6,569

ii) Equity price risk

Equity price risk refers to the potential loss in fair value resulting from adverse changes in the fair value of stocks that the Corporation has invested in. The Corporation maintains an actively managed equity portfolio and as such is exposed to stock market price fluctuations. The Corporation does not use any derivatives to manage this risk but rather uses the mechanism of diversification in all forms, including limits on single stock, industry and sector allocation and geographical distribution among others. The investment guidelines provide a cap on the total financial assets to be held in equities. The cost of quoted equities at 31 December 2021 was US$ 71,610,000 (2020: US$ 70,664,000). As such, a 10% change in equity prices across all financial markets would result in our net profit after tax to increase or decrease by US$ 7,161,000 (2020: USD 7,066,000).

iii) Currency risk

The Corporation maintains assets and liabilities in several currencies and thus is exposed to the risk of exchange rate movements associated with assets and liabilities matching. The Corporation does not apply hedging techniques to mitigate its currency risk but ensures the net exposure to this risk is within acceptable levels by constantly reviewing the level of mismatch. The Corporation has offices in seven locations whose currencies, in addition to its unit of account, represent approximately 95% of its business volumes. The assets and liabilities in these currencies are matched to the level desired by the group.

The Corporation transacts business with counterparties in a number of countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Central Africa Republic CFA, South African rand, Kenyan shilling and Nigerian naira. The Corporation's primary exposure are to the South African rand, Central Africa Republic CFA and the euro. Foreign exchange risk arises from reinsurance transactions recorded in local currencies, investments in non-reporting currencies and recognised assets and liabilities in foreign operations.

The tables on pages 98 and 99 show the various currencies in which the group's assets and liabilities were denominated as at 31 December 2021 and 2020. The non-US dollar balances reflect the significant foreign currency exposures.

Currency sensitivity analysis	10% depreciation against the	10% appreciation against the
Impact on Equity	**US$000**	**US$000**
2021	(27,481)	27,481
2020	(40,641)	40,641

29 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2021: (in US$'000)	USD	ZAR	GBP	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	127,811	26,039	11,881	39,916	19,302	8,686	27,613	21,054	5,735	41,407	**329,444**
Reinsurance receivables	(18,132)	6,197	(372)	23,083	9,309	4,843	2,804	5,917	2,905	95,786	**132,340**
Claims recoverable	62,850	6,628	42	13,370	1,408	787	1,457	588	6	4,255	**91,391**
Deferred retrocession premium	28,134	655	-	2,552	8	202	1,228	243	-	2,948	**35,970**
	200,663	**39,519**	**11,551**	**78,921**	**30,027**	**14,518**	**33,102**	**27,802**	**8,646**	**144,396**	**589,145**
Investments:											
Bank deposits	191,312	54,479	-	29,008	-	3,637	1,497	1,398	3,993	-	**285,324**
Deposits with ceding companies	16,626	3,971	561	55,108	51,353	8,871	-	921	(31)	34,803	**172,183**
Fixed rate securities at fair value	61,094	31,455	-	-	-	-	-	5,245	-	-	**97,794**
Floating rate securities at fair value through profit or loss	41,802	-	-	-	-	-	-	-	-	-	**41,802**
Fixed rate securities at amortised cost	244,126	33,304	7,920	34,855	-	4,017	-	-	-	-	**324,222**
Floating rate securities at cost	46,240	-	-	-	-	-	-	-	-	-	**46,240**
Equity investments at fair value	78,391	9,220	-	-	-	-	6	2,128	-	-	**89,745**
Unquoted Equity investments at fair value through OCI	59,093	-	-	749	-	-	1,404	-	-	-	**61,246**
Total Investments	**738,684**	**132,429**	**8,481**	**119,720**	**51,353**	**16,525**	**2,907**	**9,692**	**3,962**	**34,803**	**1,118,556**
Total Assets	**939,347**	**171,948**	**20,032**	**198,641**	**81,380**	**31,043**	**36,009**	**37,494**	**12,608**	**179,199**	**1,707,701**
LIABILITIES											
Sundry payables	14,453	1,874	99	(247)	394	560	1,587	(8)	162	17	**18,891**
Dividend payable	11,639	-	-	-	-	-	-	-	-	-	**11,639**
Reinsurance payables	30,424	2,357	(7,985)	16,886	781	(641)	8,362	4,307	510	56,752	**111,753**
Outstanding claims	168,323	86,393	3,863	64,022	53,416	18,689	9,857	32,635	15,400	58,769	**511,367**
Total liabilities	**224,839**	**90,624**	**(4,023)**	**80,661**	**54,591**	**18,608**	**19,806**	**36,934**	**16,072**	**115,538**	**653,650**
NET POSITION	**714,508**	**81,324**	**24,055**	**117,980**	**26,789**	**12,435**	**16,203**	**560**	**(3,464)**	**63,661**	**1,054,051**

Key to currency abbreviations;

USD - United States Dollar; Rand - South African Rand; UK Pounds - United Kingdom Pound; CFA - CFA Franc; EUR – Euro; MAD - Moroccan Dirham; EGP - Egyptian Pound; NGN - Nigerian Naira; KES - Kenyan Shilling; MUR - Mauritius Rupee

Annual Report & Accounts 2021
Notes to the Financial Statements

29 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2020: (in US$'000)	USD	ZAR	GBP	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	131,500	31,567	9,971	25,795	11,712	9,712		3,278	956	17,545	**303,298**
Reinsurance receivables	24,620	17,072	3,766	29,080	294,795	2,610	2,290	18,197	2,684	100,567	**166,076**
Claims recoverable	(12,594)	2,798	13	23,227	5,538	5,979	3,224	11,237	3,162	103,868	**146,552**
Deferred retrocession premium	68,908	5,745	24	7,927	982	585	372	788	6	3,549	**88,886**
	209,940	**41,070**	**10,108**	**61,666**	**18,232**	**16,465**	**28,761**	**30,457**	**6,934**	**138,776**	**562,409**
Investments:											
Bank deposits	172,212	60,003	5,831	28,869	-	2,585	1,524	8,802	3,546	16,765	**300,137**
Deposits with ceding companies	17,660	1,805	1,031	55,581	51,699	7,601	5	279	(150)	36,221	**171,732**
Fixed rate securities at fair value	19,079	29,479	-	-	-	-	528	46,314	-	-	**95,400**
Fixed rate securities at fair value through profit or loss	41,466	-	-	-	-	-	-	-	-	-	**41,466**
Fixed rate securities at amortised cost	233,670	33,500	3,786	26,829	-	-	-	-	-	-	**297,785**
Floating rate securities at cost	41,132	-	-	-	-	-	-	-	-	-	**41,132**
Equity investments at fair value	71,854	9,278	-	-	-	-	21	2,068	-	-	**83,221**
Unquoted Equity investments at fair value through OCI	53,735	-	-	329	-	-	1,989	-	-	-	**56,053**
Unquoted equity investments at fair value less impairment	-	-	-	936	-	-	-	-	-	-	**936**
Total Investments	**650,808**	**134,065**	**10,648**	**112,544**	**51,699**	**10,186**	**4,067**	**57,463**	**3,396**	**52,986**	**1,087,862**
Total Assets	**860,748**	**175,135**	**20,756**	**174,210**	**69,931**	**26,651**	**32,828**	**87,920**	**10,330**	**191,762**	**1,650,271**
LIABILITIES											
Sundry payables	11,280	1,620	-	166	562	361	1,384	1,362	384	25	**17,144**
Dividend payable	9,415	-	-	-	-	-	-	-	-	-	**9,415**
Reinsurance payables	13,620	414	(3,236)	20,193	(3,361)	250	6,119	6,749	(4)	44,861	**85,605**
Outstanding claims	160,282	97,308	3,872	53,359	48,776	14,465	9,826	26,218	13,882	45,312	**473,300**
Total liabilities	**194,597**	**99,342**	**636**	**73,718**	**45,977**	**15,076**	**17,329**	**34,329**	**14,262**	**90,198**	**585,464**
NET POSITION	**666,151**	**75,793**	**20,120**	**100,492**	**23,954**	**11,575**	**15,499**	**53,591**	**(3,932)**	**101,564**	**1,064,807**

Key to currency abbreviations;

USD - United States Dollar; Rand - South African Rand; UK Pounds - United Kingdom Pound; CFA - CFA Franc; EUR – Euro; MAD - Moroccan Dirham; EGP - Egyptian Pound; NGN - Nigerian Naira; KES - Kenyan Shilling; MUR - Mauritius Rupee

Annual Report & Accounts 2021
Notes to the Financial Statements

30 Investments in subsidiary companies

Details of the Group's material subsidiaries at the end of the reporting period are as follows.

	Principal Activity	Share capital US$ '000	Holding	2021 US$ '000	2020 US$ '000
African Reinsurance Corporation (South Africa) Limited	Reinsurance services	*	100%	*	*
African Takaful Company	Reinsurance services	30,000	100%	30,000	12,000
Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited	Property holding	*	100%	*	*
Africa Re Underwriting Agency Dubai (United Arab Emirates) Limited	Reinsurance services	500	100%	500	-

** Less than US$ 1,000 (African Reinsurance Corporation (South Africa) limited – 7 ordinary shares of 0.01 rand; Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited – 40,000 ordinary shares of 0.10 Rand)*

African Reinsurance Corporation (South Africa) Limited has its financial year end on 31 December, African Retakaful Company on 30 June and Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited on 31 August.

African Reinsurance Corporation (South Africa) Limited

African Reinsurance Corporation (South Africa) Limited was incorporated on 9 January 2004. The principal activity of the company is provision of reinsurance services to the countries of the rand zone as well as Mozambique, Botswana and Angola. It made a profit of US $ 3,150,785 during the year ended 31 December 2021 (2020: US $ 4,910,335). The relevant activities of African Reinsurance Corporation (South Africa) Limited are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of the directors of the Group is that the Group has control over African Reinsurance Corporation (South Africa) Limited and the financial information of African Reinsurance Corporation (South Africa) Limited is consolidated in these financial statements

Set out below is the summarised financial information of the subsidiary.

Summarised statement of financial position	**2021 US$'000**	**2020 US$'000**
Total assets	284,354	289,055
Total liabilities	(219,527)	(227,273)
Net assets	64,827	61,782
Summarised statement of profit or loss and other comprehensive income		
Net earned premium	36,384	35,105
Profit before income tax	5,209	7,006
Income tax expense	(2,058)	(2,096)
Other comprehensive income	-	-
Total comprehensive income	3,151	4,910
Summarised statement of cash flows		
Net cash flow from/(used in) operating activities	4,837	(11,804)
Net cash (used in)/generated from investing activities	(2,481)	11,558
Net increase /(decrease) in cash and cash equivalents	2,356	(246)
Net loss on liquid assets	(53)	(31)
Cash and cash equivalents at beginning of year	635	912
Cash and cash equivalents at end of year	2,991	635

African Takaful Reinsurance Company

African Retakaful Company was incorporated on 1 September 2010. The principal activity of the company is provision of reinsurance products which are fully sharia compliant. The company made a loss of US$16,195,132 during the year ended 31 December 2021 (December 2020: US$154,012 profit). The relevant activities of African Retakaful Company are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of directors of the Group is that the Group has control over African Retakaful Company and the financial information of African Retakaful Company is consolidated in these financial statements.

Set out below is the summarised financial information of the subsidiary.

Summarised statement of financial position	**2021 US$'000**	**2020 US$'000**
Total assets	112,573	84,965
Total liabilities	(119,012)	(93,109)
Net assets	**(6,439)**	**(8,144)**
Summarised statement of profit or loss and other comprehensive income		
Net earned premium	(8,387)	47,585
(Loss)/Profit before income tax	(16,195)	154
Other comprehensive income	-	-
Total comprehensive income	(16,195)	154
Summarised statement of cash flows		
Net cash generated from/(used in) operating activities	4,129	(943)
Net cash from investing activities	1,542	1,580
Net increase in cash and cash equivalents	5,671	637
Net loss on liquid assets	(9,765)	442
Cash and cash equivalents at beginning of year	46,119	45,040
Cash and cash equivalents at end of year	**42,025**	**46,119**

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited was purchased by African Reinsurance Corporation in October 2012. The principal activity of the company is property holding. The company reported a profit of US $84,513 during the year ended 31 December 2021 (2020: US$ 298,811 loss). The relevant activities of Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited are determined by its board of directors based on simple majority votes where each share carries one vote.

Therefore, the conclusion of the directors of the Group is that the Group has control over Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited and therefore, the financial information of Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited is consolidated in these financial statements

Set out below is the summarised financial information of the subsidiary

Summarised statement of financial position	**2021 US$'000**	**2020 US$'000**
Total assets	2,667	2,553
Total liabilities	(97)	(81)
Net assets	**2,570**	**2,472**
Summarised statement of profit or loss and other comprehensive income		
Net Income	(8,387)	47,585
Profit before income tax	119	107
Income tax expense	(35)	(406)
Other comprehensive income	-	-
Total comprehensive income/(loss)	**84**	**(299)**
Summarised statement of cash flows		
Net cash generated from operating activities	-	-
Net cash used in from investing activities	-	-
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Net (loss)/gain on liquid assets	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

Africa Re Underwriting Agency Dubai (United Arab Emirates) Limited

African Re Underwriting Agency Dubai (United Arab Emirates) Limited was incorporated on 28th April 2020. The principal activity of the company is Insurance Management. It commenced operation on 1st of January 2021.

Therefore, the conclusion of directors of the Group is that the Group has control over African Re Underwriting Agency and the financial information of African Retakaful Company is consolidated in these financial statements.

Set out below is the summarised financial information of the subsidiary.

Summarised statement of financial position	**2021 US$'000**	**2020 US$'000**
Total assets	854	-
Total liabilities	(354)	-
Net assets	**500**	**-**

Summarised statement of profit or loss and other comprehensive income		
Net Income	776	-
Profit before income tax	-	-
Income tax expense	-	-
Other comprehensive income	-	-
Total comprehensive income	**-**	**-**

Summarised statement of cash flows		
Net cash generated from operating activities	298	-
Net cash used in from investing activities	(530)	-
Net cash generated from financing activities	383	-
Net increase in cash and cash equivalents	151	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	**151**	**-**

31 Contingent liabilities

There are no material contingent liabilities in respect of pending litigations involving the Corporation for which no provisions have been made in these financial statements.

32 Leases

The Corporation as a lessee

The Corporation has right-of-use assets in respect of some of the land used in constructing office and residential buildings. These right-of-use assets are classified together with the other similar assets owned by the Corporation under Property and Equipment in Note 9.

The Corporation also hold leases of offices for its Sudan, Abidjan, Uganda, Ethiopia and United Arab Emirates Offices. The future minimum lease payments leases are as follows:

	2021 US$'000	**2020 US$'000**
Not later than 1 year	77	228
Later than 1 year and not later than 3 years	17	273
Net assets	**94**	**501**

The Corporation's total assets was considered in concluding that the above leases are not material to the overall financial statements and will continue to be expensed on straight line basis in line with the relief from capitalising granted in IFRS 16.

The Corporation as a lessor

At the end of the reporting period, the lettable portion of the Corporation's headquarters building in Lagos as well as regional office buildings in Nairobi and Casablanca had been contracted with tenants for the following future lease receivables:

	2021 US$'000	**2020 US$'000**
Not later than 1 year	1,287	1,393
Later than 1 year and not later than 3 years	1,401	1,414
Later than 3 year and not later than 7 years	384	-
Net assets	**3,072**	**2,807**

33 Capital management

The Corporation is not subject to any externally imposed capital requirements. However, the Corporation will continue to actively grow its available capital to meet rating agencies' requirements for its target rating as well as achieve a comfortable internally determined capital adequacy ratio (available capital divided by required risk adjusted capital).

The Corporation's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To satisfy the requirements of its reinsured and rating agencies;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To safeguard the corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Corporation has several of sources of capital available to it and seeks to optimise its retention capacity to ensure that it can consistently maximise returns to shareholders. The Corporation considers not only the traditional sources of capital funding but the alternative sources of capital including retrocession, as appropriate, when assessing its deployment and usage of capital. The Corporation manages as capital all items that are eligible to be treated as capital.

The constitution of capital managed by the corporation is as shown below:

	2021 US$'000	2020 US$'000
Share capital	286,361	285,861
Share premium	217,170	216,107
Other reserves	270,965	281,061
Retained earnings	226,218	234,077
Total capital – equity	**1,000,714**	**1,017,106**

33 Events after the reporting date

There was no event subsequent to date of the financial statements, which require adjustment or disclosure in these financial statements.

Appendix

Consolidated statement of profit or loss by class of business

	Fire and accident US$'000	Marine and aviation US$'000	Life US$'000	Total 2021 US$'000	Total 2020 US$'000
Underwriting income:					
Gross written premium	738,796	44,615	61,935	845,346	804,774
Gross earned premium	733,578	45,793	63,255	842,626	811,753
Retrocession premium	(159,605)	(6,624)	(8,701)	(174,930)	(156,375)
Net earned premium	**573,973**	**39,169**	**54,554**	**667,696**	**655,378**
Commissions & charges earned under retrocession arrangements	**30,023**	**1,033**	**1,866**	**32,922**	**30,309**
Gross claims paid	**(320,442)**	**(17,700)**	**(44,209)**	**(382,351)**	**(413,973)**
Gross claims incurred	(368,448)	(10,580)	(49,336)	(428,364)	(453,628)
Less retrocessionnaires' share	33,342	(2,607)	4,878	35,613	48,661
Net claims incurred	**(335,106)**	**(13,187)**	**(44,458)**	**(392,751)**	**(404,967)**
Acquisition expense	(197,094)	(13,108)	(14,208)	(224,410)	(216,586)
Management expenses	(42,732)	(2,581)	(3,583)	(48,896)	(50,097)
Underwriting profit	**29,064**	**11,326**	**(5,829)**	**34,561**	**14,037**
Net investment and other income				54,138	53,591
Net foreign exchange loss				(47,783)	(9,247)
Profit before income tax				**40,916**	**58,381**
Income Tax				(2,093)	(2,672)
Profit for the year				**38,823**	**55,709**

Notes