Africa Re

▪ Established in 1976 ▪ 41 African Member States

ANNUAL REPORT & ACCOUNTS

2019

Africa Re

About Us

The African Reinsurance Corporation (Africa Re) was established 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

- 41 African States – 34.50%;
- 114 Insurance and Reinsurance Companies – 34.00%;
- African Development Bank – 8.40%;
- Fairfax Financial Holdings – 7.35%;
- AXA Africa Holdings – 7.35%;
- Allianz SE – 8.40%.

With a **gross written premium of US$ 844.786 million in 2019**, 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 2018** and **ranked 42nd by AM Best in the Top 50 World's Largest Reinsurance Groups** by **unaffiliated gross premium written in 2018**.

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 **254 employees** from **27 African nationalities**.

Africa Re operates from **7 business locations** serving **Africa**, parts of the **Middle East, Asia** and **Latin America**. The **network of offices** comprises:

- **Subsidiaries (2):** Africa Re (South Africa) Ltd. & Africa Retakaful Company (Egypt)
- **Regional Offices (6):** Nigeria, Morocco, Côte d'Ivoire, Egypt, Mauritius & Kenya
- **Contact Offices (1):** Ethiopia
- **Underwriting Representative Offices (1):** Uganda

The Corporation is the best rated pan-African reinsurer.

- **A.M. Best Company:** A (Excellent / 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. **Up to two percent (2%)** of our annual **Net Profit** is committed to **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.

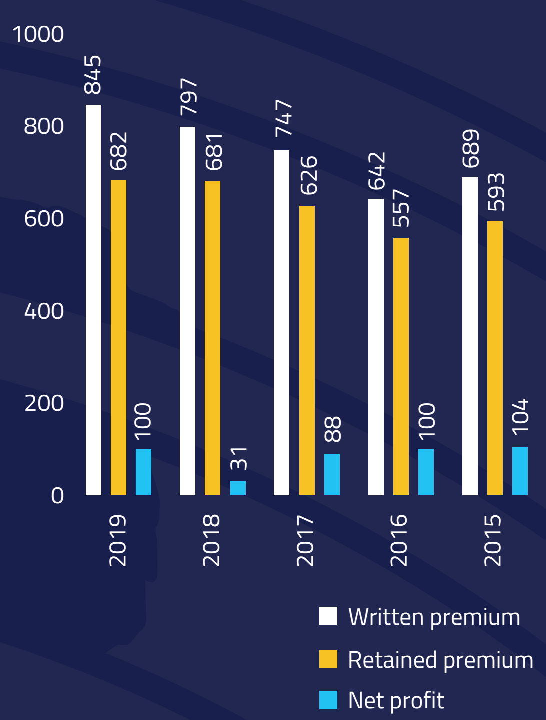
Recent Recognition & Awards in 2019

	Name of Award	Year	Institution
1	Inclusion in the Top 40 Global Reinsurance Group by Standard and Poor's in 2019	2019	Standard and Poor's
2	Best Regional Retakaful Company (7 times since 2012) by the International Retakaful Summit	2012 to 2019	The International Retakaful Summit
3	Outstanding Insurance Development Promoter in Nigeria	2019	National Association of Insurance and Pension Correspondents (NAIPCO)
4	Inclusion in the Top 50 Global Reinsurance Group	2017	AM Best
5	Reinsurance Firm of the Year in Africa	2015	Global M & A Awards (Acquisition International) in London , UK
6	Award for Excellence in Case Management (Information Technologies)	2015	BPM & WfMC, in Arlington, Virginia, USA
7	Best Reinsurance Company in Africa	2014	Capital Finance International, United Kingdom
8	Best Reinsurance Organization in Africa	2012	African Insurance Organization (AIO)

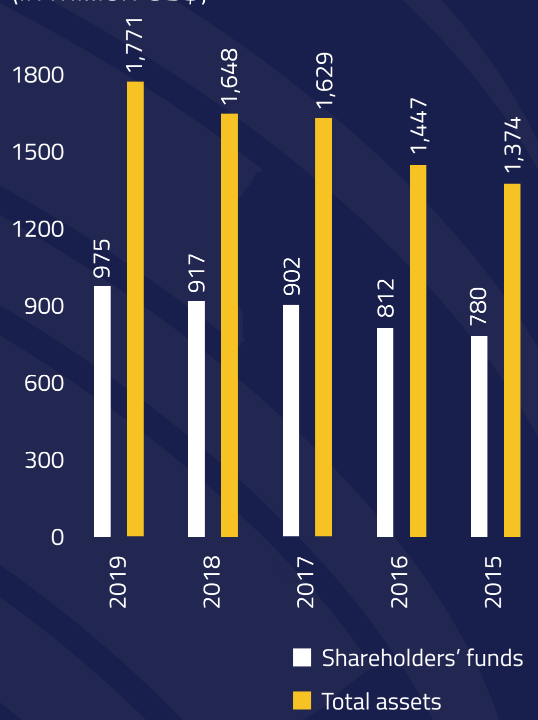
Financial highlights

In US$ '000	2019	2018	2017	2016	2015
Results					
Written Premium	844,786	797,415	746,829	642,024	689,291
Retained Premium	681,647	681,334	625,650	556,995	593,473
Earned Premium (Net)	673,340	673,554	606,896	567,532	590,821
Net Profit	99,904	31,269	87,982	100,202	103,645
Financial position					
Shareholders' Equity	975,198	917,047	902,039	812,311	780,071
Total Assets	1,770,980	1,648,066	1,628,545	1,447,299	1,374,464

Results 2015 - 2019
(in million US$)



Financial position 2015 - 2019
(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

US$8.8

2018 Dividend: US$ 8.0

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African Reinsurance Corporation
General Assembly

June 2020

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 2019.

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

HASSAN BOUBRIK

Chairman of the Board of Directors and General Assembly

BOARD OF DIRECTORS

Mr Hassan BOUBRIK

Chairman
Chairman of the Nomination and Governance Committee

Nationality:
Moroccan

Constituency:
Morocco: state and companies

Current Term ends in:
2020

Mr BOUBRIK is currently the Chairman of the Supervisory Authority of Insurance and Social Security in Morocco. He holds degrees in Finance and Actuarial Science and is in charge of insurance supervision.

He previously served as Chief Executive Officer of a major finance conglomerate in Morocco and has held many board positions.

Mr Aguinaldo JAIME

Vice Chairman
Chairman of the Human Resources and Remuneration Committee
Member of the Nomination and Governance Committee

Nationality:
Angolan

Constituency:
States of East and Southern Africa and Sudan

Current Term ends in:
2020

Mr JAIME has occupied the following positions in Angola: President of the Angolan insurance regulatory authority (ARSEG), Deputy Prime Minister, Governor of the Central Bank, Minister of Finance, President of the Angolan Agency for Private Investment (ANIP), First President of the Angolan Investment Bank – Banco Angolano de Investimento (BAI), Director of the Foreign Investment Board (FIB), and Director of Planning, Studies and Statistics of the Angolan National Insurance Company.

He holds a Bachelor's degree from the Faculty of Law of the University of Lisbon, a Law degree from Agostinho Neto University, a Master's in Business Administration (MBA) and a Master of Arts from the University College, London.

He is presently a visiting lecturer in business administration at the Angolan Catholic University, Catholic University of Oporto and Catholic University of Rio de Janeiro.

Dr Mohamed Ahmed MAAIT

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

Nationality:
Egyptian

Constituency:
Egypt: state and companies

Current Term ends in:
2021

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.

Annual Report & Accounts 2019
Board of Directors

Mr Kamel MARAMI

Director
Member of the Nomination and Governance Committee
Member of the Human Resources and Remuneration Committee

Nationality:
Algerian

Constituency:
Algeria: state and 4 companies

Current Term ends in:
2021

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:
2021

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 Casualty Actuarial Society (FCAS), fellow of the Singapore Actuarial Society and fellow of the Society of Actuaries of Thailand.

Mr Boubacar BAH

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

Nationality:
Republic of Guinea

Constituency:
States and companies of francophone West and Central Africa

Current Term ends in:
2021

Mr Boubacar BAH is the Director of Insurance at the Central Bank of the Republic of Guinea. He holds a Master's degree in Law from the University of Dakar, Senegal and a Postgraduate diploma from the Centre for Economics, Banking and Financial studies in Paris, France. He has over 30 years of experience in the Central Bank of Guinea, where he has held several top managerial positions amongst others, Director of Human Resources, Director of the Banking Sector, Head of the Legal Department etc.

Mr Hafedh GHARBI

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

Nationality:
Tunisian

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

Current Term ends in:
2021

He is the Chairman of the General Insurance Committee (Comité Général des Assurances), the supervisory authority of Tunisia. Mr Hafedh GHARBI has previously served as Managing Director of Banque Tunisienne de Solidarité (BTS) and Controller General of Finance. He holds a Master's degree in Economics and a Postgraduate Diploma in Public Finance from the National School of Administration of Tunis.

Dr Coenraad Christiaan VROLIJK

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

Nationality:
Dutch

Constituency:
Allianz SE

Current Term ends in:
2021

Dr Coenraad Christiaan VROLIJK is the current Regional CEO for Allianz in Africa, overseeing the Allianz subsidiaries across the continent. Amongst others, he is on the Board of Directors of Allianz Africa Holding, Allianz Morocco, Allianz Nigeria and Allianz Cameroon, and is a member of the Allianz Group Underwriting Committee. In addition he is on the Board of BIMA (Milvik), as well as the Board of the International Baccalaureate Organization.

Prior to joining Allianz he has served in Private Equity as CEO at Rosewood Insurance in Zurich, as Managing Director at BlackRock in London, and as Partner at McKinsey & Company in Geneva. He holds a BSc in Economics from the University of Bath, and an MA and PhD in Economics from Brown University.

Mr Hassan EL-SHABRAWISHI

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

Nationality:
Egyptian

Constituency:
AXA

Current Term ends in:
2021

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, Microensure and 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.

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:
2021

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:
2021

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 (Côte d'Ivoire)

Constituency:
Not Applicable (Independent)

Current Term ends in:
2023 after approval by the AGM in November 2020

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

Yaw Adu KUFFOUR
Soufiane SAHNOUNE
Maurice MATANGA
Ashraf BADR
Ahmed SHUKRI
Delphine MAIDOU
Nouaman AL AISSAMI
Woldemichael ZERU
Olatoye ODUNSI

EXECUTIVE MANAGEMENT

Dr Corneille KAREKEZI
Group Managing Director / Chief Executive Officer

He rose to the current position of Group Managing Director / 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. Between 2003 and 2005 he served on the Board of Africa Re.

His professional career started in 1991 as Chief Accountant /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 / 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.

He has served as Chairman and member of governing bodies of various financial institutions in Africa. He is currently the Vice 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

Mrs Linda BWAKIRA
Corporate Secretary & General Counsel

Mrs Linda Bwakira has over 18 years of diverse and progressive experience in international financial institutions and legal services. Her expertise includes financial services, corporate governance and legal affairs.

She has worked in global corporate and investment banks, namely Natixis Group and IXIS in France, Africa-based development financial institutions including the African Development Bank and the Trade & Development Bank. She also worked in different law firms namely Clifford Chance, Freshfields Bruckhaus Deringer, Landwell Brussels (PwC Legal arm) and Jansen & Associés, Brussels.

She joined Africa Re from the Eastern and Southern African Trade and Development Bank (TDB) where she was the Corporate Secretary. In TDB, she ensured the integrity of the governance framework and handled institutional legal matters.

Mrs Bwakira is qualified as a French lawyer and a solicitor of England & Wales. She holds a Master's degree in Business Law and a Postgraduate degree in International Business Law both from the University of Toulouse (France).

Mrs Bwakira joined Africa Re as Corporate Secretary and General Counsel in October 2019.

Mr Seydou KONE
Director, Internal Audit

Mr Seydou KONE joined the Corporation in 2010 as Director of Finance and Accounts after 15 years of experience in the insurance industry. He started his career with Deloitte as Auditor of insurance and reinsurance companies. He then joined NSIA Assurance and worked in different capacities including Director of Internal Audit. As Group Director of Internal Audit, he was also in charge of the accounts consolidation process.

As Director of Finance and Accounts until 2019, Mr KONE oversaw finance, investments, dividends and the consolidation process of accounts in accordance with IFRS. Mr KONE holds a Bachelor's degree in Management and a Master's degree in Finance and Accounting from Université de Côte d'Ivoire.

Mr Seydou KONE was appointed **Director of Internal Audit on 1 July 2019**.

Ms Yvonne PALM
Director, Risk Management, Compliance and Actuarial Services

Ms Yvonne Naa Korkor PALM joined Africa Re as Director of Risk Management, Compliance and Actuarial Services 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. He also worked as the European Accountant for ACE Life (a subsidiary of ACE Group) 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 and Asset Management Companies (including 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).

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Central Directors

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 has over 18 years of experience in human resource management at managerial level.

He started his career in 1999 as HR Management Trainee at SAGA Cameroon (now Bolloré Africa Logistics). He worked as HR & Legal Manager in Multiprint Sérigraphie (leading printing and communication Group of Companies in Cameroon) from 2000 where he rose to become the Group Director of Human Resources.

Mr FOKOU has also served as Assistant Director of Human Resources at ECOBANK Cameroon (2007) and Regional HR & OD Advisor in the Central and West Africa Regional Office of SOS Children's Villages covering 13 countries in West and Central Africa from 2007 to 2009.

He has equally occupied the following positions: Director of Human Resources at ACTIVA Assurances Cameroon (2009-2011) and Director of Human Resources & Administration/Company Secretary at TOTAL Cameroon (2011-2014).

He holds a Master's degree in Business Law from the University of Douala, Cameroon (1996), a Postgraduate degree in Human Resource Management from ESSEC Business School of Douala (1999) and a Master's in Business Administration (MBA) from the African Leadership University (ALU) School of Business, Kigali, Rwanda (2018).

Mr FOKOU joined Africa Re in 2014 as Assistant Director, Human Resources & Administration before rising to the position of Deputy Director, Human Resources & Administration in 2018.

On 1 June 2019, Mr Guy B. FOKOU was appointed Director of Human Resources.

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).

He 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.

Mr Adil ESSOUKKANI 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

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 Sciences from the Business School of the Catholic University of Louvain.

Mr Vincent MURIGANDE

Acting 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 Acting Regional Director, Mauritius Office in March 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 Yousif El Lazim GAMMA

Acting Regional Director, Cairo Office

Mr Yousif El Lazim Gamma started his career in 1991 as Underwriter in the National Reinsurance Company of Sudan, where he worked for seven years in the Non Marine Department. In 1998, he joined Greater Nile Petroleum Company (GNOC) as Head of the Risk and Insurance Unit, handling all issues related to insurance and risk management. In 2005, he became General Manager of Savanna Insurance Company in charge of all executive operations.

In July 2009, Mr Gamma was recruited as Senior Underwriter in the Cairo Office of Africa Re, which covers North East Africa and the Middle East. Initially, he was assigned the responsibility to manage the domestic market (Egypt and Sudan) and subsequently, the underwriting of Retakaful business after the establishment of Africa Retakaful Company.

Mr GAMMA became Assistant Director Technical Operations on 1 January 2020 and with effect from 22 May 2020, was appointed Acting Regional Director for North East Africa and the Middle East (Cairo Office).

He holds a Bachelor's degree in Economics (Hons) from University of Khartoum, MBA from the School of Business Administration - University of Khartoum, Associate Diploma from the Chartered Insurance Institute, London (ACII) and MBA from German University in Cairo.

Mr Gamma has participated actively in many seminars, workshops and conferences and has published many papers in specialized insurance periodicals.

Annual Report & Accounts 2019
Regional Directors, Managing Directors of Subsidiaries and Local Representative

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.

Mrs Temitope AKINOWA

Acting 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 Acting Regional Director for the Lagos Office in March 2020.

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

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 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 and is an Associate (ACII) and Fellow (FCII) of the Chartered Insurance Institute (UK).

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

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 Hassan BOUBRIK
Chairman

Chairman's Statement

I am pleased to present the 42nd Annual Report of the Board of Directors of the African Reinsurance Corporation (Africa Re) including the 2019 financial statements. This report also includes a review of the Corporation's operating environment, report of the external auditors to the shareholders as well as reports on capital management, enterprise risk management, corporate governance, compliance, corporate social responsibility and human resources.

Corporate Financial Performance

The year 2019 continued to be impacted by a weakened global economy with growth estimated at 2.9% compared to 3.6% achieved in 2018. This weakness was largely due to the lack of a breakthrough between the US and China in trade negotiations. Other major geopolitical events such as Brexit and tensions in the Middle East also damped economic activity in 2019. Despite a weak global economy, Africa realised economic growth estimated at 3.4%, marginally lower than the 3.5% achieved in 2018.

The Corporation's financial performance benefited from continued growth in gross written premiums, a modest underwriting profit and a strong recovery in the global equity markets coupled with higher realized investment income, hence achieving a much improved overall net profit of US$ 99.90 million (2018: US$ 31.27 million) for the year 2019.

Gross written premium grew by 5.94% in 2019 to reach US$ 844.79 million from US$ 797.42 million in 2018. Given a situation where the exchange rate remained stable, gross written premium would have amounted to US$874.20 million thereby resulting in a 9.63% growth in 2019. The good performance in gross premium income in 2019 was due to exceptional good performance in South Africa, West Africa and the Retakaful Business.

Net earned premium, after adjusting for the movement in unearned premium provision and retrocession, amounted to US$ 673.34 million compared to US$ 673.55 million in 2018. This lack of growth in net earned premium is a reflection of the Corporation's strategy to obtain extra protection through improved retrocession covers against catastrophe losses and large losses from classes of business with higher exposures like the Oil & Energy risks.

Retroceded premium during the year totalled US$ 149.38 million, as against US$ 119.60 million in 2018, being a 24.90% increase. The increase in retroceded premiums was mainly due to the significant growth in the Oil & Energy business where the Corporation has a clear strategy to maintain a lower retention when compared to other classes of business. Other than the Oil and Energy business, our retrocession programme remained the same as it continued to rely mainly on excess of loss (XL) covers for the regular risks assumed. The retrocession market continued to be largely soft, allowing the Corporation to reduce its retrocession spending whilst improving the terms and conditions of the cover obtained.

Net acquisition cost, made up of reinsurance commissions and charges, including change in deferred acquisition costs, increased very marginally by 0.44% from US$ 196.58 million in 2018 to US$ 197.43 million in 2019. The net acquisition cost ratio also remained largely flat at 29.32% in 2019 when compared to 29.19% in 2018.

Gross claims incurred in 2019 grew by 5.3% to stand at US$ 485.50 million (2018: US$ 461.09 million) while the gross incurred loss ratio deteriorated marginally to 59.01% from 58.13% in the previous year.

Net incurred loss ratio of 59.60% was an improvement from the level recorded in 2018 of 61.07% and 60.41% recorded in 2017. Whilst the net incurred ratio is clearly the lowest over the last 3 years, it is still higher than the 5-year average of 57.88%. Management is taking the necessary steps to improve the loss ratios especially in our South African and Middle East portfolios. We expect to see further improvements in the coming years.

Annual Report & Accounts 2019
Chairman's Statement

During the year, operating expenses and capital expenditure were kept within the approved budget. Management Expenses for 2019 increased by 8.07% to US$ 48.59 million. Management expense ratio, including provision for bad debts, increased to 7.22% (2018: 6.68 %), mainly due to extra provisions for doubtful debts to ensure compliance with accounting standards.

Given the improvements noted in the claims ratio and the marginal deteriorations in both the acquisition and management expense ratios noted, the net combined ratio ended at 96.14% in 2019. This performance, though well above the 91.52% average for the period 2014-2018 of the 5th Strategic Plan, is still within the target range of the 6th Strategic Plan for 2019-2023, and certainly compares favourably with the 101.1% recorded by global reinsurers in the same year 2019.

The Corporation's net underwriting profit (including management expenses) improved by 25.54% to stand at US$ 25.98 million in 2019, compared to US$ 20.70 million the year before. This improvement is testament to the gradual gains made by Management in improving the underwriting portfolio especially in markets that underperformed in the previous 5 years.

In the area of investment income, the Corporation recorded significant improvements due to the recovery of equity markets during 2019. Investment and other income stood at US$ 66.10 million compared to US$ 24.87 million recorded in 2018. The average investment return was an all-time high of 5.26% while the investment portfolio increased by 9.12%.

In line with the requirements of international accounting standard IAS 21 – Effects of Changes in Foreign Exchange Rates, the Corporation recorded the impact of exchange rates fluctuations of our 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 our production centres during 2019 was a gain of US$ 9.75 million compared to a loss of US$ 14.98 million in the previous year. This gain has been recorded in the Income Statement thereby improving the net profit for the year.

Overall, 2019 saw improvements in both underwriting profitability and investment income. The final overall net profit improved by 219.5% to stand at US$ 99.90 million against US$ 31.27million in 2018.

Shareholders' funds grew by 6.34% to reach US$ 975.20 million in 2019 representing 55% of the total balance sheet.

Return on equity recorded significant improvements given the improvement in net profit for the year. The return on average equity stood at 10.56% compared to 3.44% recorded in 2018. This is performance is above the 9.2% average return on equity achieved by other global reinsurers during 2019.

Corporate Strategy 2019-2023 Execution

The Financial Performance noted during 2019 is well within the parameters set by the Board of Directors for the Strategic Period of 2019-2023. The Corporation aims to achieve a growth rate between 1.1% and 10.3% on its premium income and it recorded a growth of 5.94%, not far from the realistic target of 6.2%. It is however in technical profitability (combined ratio target between 89.3% and 98.0%) and overall profitability (return on equity between 5.0% and 11.4%) where the Corporation performed better with a combined ratio of 96.14% and a return on equity of 10.24%.

It is clear then that the efforts to improve on the underwriting portfolio and the investment portfolio are paying off. The optimization of our unprofitable business portfolio from South African and Middle East markets has continued. Investment portfolio restructuring towards less equities, prone to high volatility, will be completed in 2020.

Other strategic objectives in all the performance areas of the Corporation have been pursued with successful achievements. These are mostly related to the modernization of our information and technology tools, the increase of proximity to our markets, the improvement of our operational excellence, the development of our human resources, the strengthening of our corporate social responsibility, and many more.

Africa Re will continue to build on its strengths to deploy a cautiously aggressive strategy in order to take advantage of unfolding opportunities through portfolio optimization and growth, customer centricity, operational excellence and team culture.

Corporate Governance and Risk Management

In 2019, the Board of Directors held three plenary meetings and various Committee meetings. In addition, the year was marked by a strengthening of the Corporation's governance framework through the increase in the number of Board Committees from three to five. Besides the usual Human Resources and Remuneration Committee, the Board oversight role is now supported by a dedicated Nomination and Governance Committee, a standalone Audit Committee, a strengthened Underwriting, Risk Management and IT Governance Committee and a separate Finance and Investment Committee. In line with best international governance standards, the Corporation also initiated the recruitment of its first two (2) non-executive independent directors following the approval of the General Assembly at its 41st Annual Ordinary Meeting held in Tunis, Republic of Tunisia in June 2019. The recruitment of the independent directors is underway and will be completed in 2020.

Outlook for 2020

Our good performance in 2019 has been followed shortly by the biggest public health challenge and ensuing economic crisis facing all Countries, big and small, in recent decades. The global spread of the novel coronavirus Covid-19 and the resulting declaration of a global pandemic by the World Health Organisation will be the main driver of socio-economic and political decision-making during 2020.

All indications we have seen so far are that economic activity will be severely depressed as a result of measures taken to contain the spread of the pandemic. African Economies with significant export earnings are already under fiscal stress. Export earnings from Petroleum Oil and Commodities (metals, coffee, tea, agricultural produce) have been impacted in a very big way. Those countries with a significant travel and tourism industry are also similarly impacted in a very negative way. The resulting knock-on effect on other industries and the wider society will take some time to fully comprehend and measure.

Africa Re will not be spared by these negative effects of the pandemic. We expect that both underwriting and investment income will be impacted negatively to varying degrees. In anticipation of such negative effects of Covid-19, the Board of Directors and Management have taken the necessary steps to minimise such effects by collaborating with insurers, reinsurers, regulators and other key stakeholders. The key objective at this time of great uncertainty is to ensure that our employees remain safe and we deploy our capital and liquidity in such a way as to preserve our balance sheet while meeting our obligations both as a leading reinsurer on the African continent and as a responsible corporate citizen.

During this time of crisis, Africa Re would be pleased to remind our cedants, shareholders and other stakeholders that we have the necessary capacity, market knowledge, technical expertise and balance sheet strength to discharge our obligations as an underwriting entity, despite the potential mortality and health claims and losses from other lines of business which may hit our portfolio.

While financial market turmoil related to the economic fallout will hit assets, and the near zero interest rate will impact negatively our investment income, the Corporation's capital base is stronger enough to stand any worse scenario and remain adequate throughout 2020 and beyond. In addition, our liquidity level has been high enough to cushion the foreseeable difficulties created in our markets following the Covid-19 crisis. It is on that basis that we maintained the payment of an increased dividend from the financial year 2019 as earlier planned.

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 2019, from Africa Re staff in all our locations to Management led by Dr Corneille KAREKEZI.

My gratitude goes to my fellow Board Directors and Shareholders who continued to guide and support the Corporation. Thank you for your dedication, hard work, commitment and support in 2019. This reassures me that I can count on you during the coming unprecedented and difficult times the world is facing.

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.

Hassan BOUBRIK
Chairman

Dr Corneille KAREKEZI
Group Managing Director /
Chief Executive Officer

MANAGEMENT REPORT

I. ECONOMIC & TRADE ENVIRONMENT IN 2019

Economic Activity: Sluggish Growth due to Multiple Challenges

The year 2019 bore mixed signals of the global economy which culminated in a slower than expected growth. There were rising geopolitical tensions notably between the United States and Iran that many feared could lead to a major regional war in the Middle East. The year also witnessed the volatile trading relationship between the United States and some of its partners. This worsened with China due to the threats of tariffs and other trade restrictions that endangered the global economy but for the announcement of a trade deal. The European Union was also rattled by the fears of a hard Brexit which has diminished significantly. Generally, the world experienced increasing nationalist movements, rising protectionist policies and widening income inequality.

Most of these risks eased towards the end of the year but the global economy and selected economies missed the projected growth and performed below the previous year's achievement. According to the International Monetary Fund (IMF), the global economy GDP grew by 2.9% (2018: 3.6%) against a projected growth of 3.3%. The United States grew by 2.3% (2018: 2.9%) as projected while the Eurozone grew at a slower pace at 1.2% (2018: 1.8%) compared with 1.3% projected. For the emerging market and developing economies, China achieved economic growth of 6.1% (2018: 6.6%; projected: 6.3%), India grew by 4.2% (2018: 7.1%; projected: 7.3%). Sub-Saharan Africa achieved a growth of 3.1% (2018: 3.0%) compared with the projected growth of 3.5%.

Overall, the pulse of the global economy was sluggish and below expectations. The experience of each country was dependent on the alignment between fiscal and monetary policies to boost economic activity and strengthen resilience across different sectors of national economies.

Financial Markets: Strong Rebound and Superior Returns

Generally, the financial markets recorded impressive returns in most of the advanced economies due to the easing of monetary policies by their respective central banks through interest rate cuts, net purchases of securities and lowering of policy rate corridor. As uncertainty from the trade war between the United States and China and slowing global growth posed a threat to the US economy, the Federal Reserve Bank also ended its balance-sheet reduction programs.

These actions boosted the stock market performance in 2019 leading to substantial gains across most indices. The growth performance recorded for the relevant indices are: : DJI (25.3%), S&P 500 (31.5%), NASDAQ Comp (36.7%), DJ Euro Stoxx 50 (25.7%), CSI 300 (32.1%), Hong Kong's Hang Seng Index HSI (13.7%), Japan's TOPIX Index (19.8%), MSCI Emerging Markets Index (18.9%).

African equities' market performance was mixed but also supported by the global positive sentiment. Most major equity indices performed positively: Johannesburg Stock Exchange (8.7%), Nigerian Stock Exchange (-14.6%), Casablanca Stock Exchange (7.1%), Nairobi Stock Exchange (18.5%) and Egyptian Exchange (7.1%).

The fixed income market reacted to the interest rate cut by the Fed. Bonds yielded lower than in 2018: 30-Year US Treasury bonds (2.4%), 10-year US Treasury notes (1.9%), 364 days US Treasury bills (1.6%).

The commodity market was not left behind as Gold and WTI Crude oil prices improved by 34.5% and 15.5% respectively from their levels of December 2018.

On the currency market, the ICE U.S. Dollar Index DXY, which measures the value of the United States dollar relative to a basket of foreign currencies, shed 3.0% in its performance in the last quarter but ended the year with 0.2% appreciation.

African Economy: Reaching for Fiscal and Monetary Policy Alignment amidst Rising Debt

According to the African Development Bank (AfDB), the continent grew by 3.4% which is at the same pace recorded in 2018. The IMF also reported that the Sub-Saharan Africa economy grew by 3.1%. Further analysis of the growth reflected the heterogeneity of African countries implementing a different mix of monetary and fiscal policies to achieve economic prosperity. The resource-intensive countries that have been consistently vulnerable to commodity price shocks recorded a lower growth compared with the non-resource intensive countries. However, the achieved growth was mostly better than in 2018 due to the stability in commodity prices, especially crude oil.

The top 5 largest economies in Africa recorded mixed fortunes with Nigeria estimated by AfDB to have grown by 2.3% (2018: 1.9%), South Africa by 0.7% (2018: 0.8%), Morocco by 2.9% (2018: 3.0%), Egypt by 5.6% (2018: 5.3%) and Algeria by 2.3% (2018: 1.4%).

African continent continued to provide six economies among the world's 10 fastest growers: Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania, and Benin.

African economic growth was not even across regions in 2019. East Africa led the way as the fastest growing region with 5.0% growth rate in 2019. North Africa followed with 4.1%. West Africa grew by 3.7% percent in 2019, from 3.4 percent the year before. Central Africa recorded 3.2% growth in 2019 from 2.7% the year before. Southern Africa's growth slowed from 1.2% to 0.7%, dragged down by the devastation of cyclones Idai and Kenneth.

Public external debt continued to rise and reached 10 year record high above 56% government debt-to-GDP ratio, an upward trend driven partly by the slow growth of export revenues as well as improving macroeconomic stability and better liquidity offering in the international bond markets of recent years.

African currencies recorded a mixed performance against the US Dollar in the year 2019 with the majority having been depreciated. The Nigeria Naira (NGN), Ethiopian Birr (ETB), Mauritius Rupee (MUR) and West Africa CFA (XOF) lost against the US dollar by 0.94%, 11.31%, 5.76% and 2.18% respectively. Other currencies such as the South African Rand (ZAR), Egyptian Pound (EGP) and Sudanese Pound (SDG) gained compared to the US dollar by 2.22%, 11.89% and 5.56% respectively.

In 2019, the African Continental Free Trade Area (AfCFTA) continued to register more adoption and ratification from African countries. This trade agreement, signed in Kigali, Rwanda on March 21, 2018, will cover a market of 1.2 billion people and a gross domestic product (GDP) of $2.5 trillion, across all 55 member States of the African Union. The intra-Africa trade through the AfCFTA, together with the economic diversification from raw material exports, the infrastructure investments and the social protection programs for the vulnerable members of society, will continue to be the economic development pillars of the African continent in the years to come.

Global Reinsurance Market: Difficult Operating Environment in a Persistently Soft Market

The global reinsurance industry continued to operate in a difficult and competitive environment as it has remained a soft market for longer with marginal improvements in premium rates for loss-impacted lines of business. The reinsurance market is still awash with capital which has contributed to the flattened reinsurance market cycle.

In 2019, although the industry has experienced stable natural catastrophe losses, man-made losses have been on the rise putting significant pressure on underwriting margins for most Property & Casualty (P&C) reinsurers. These challenges were compounded by unfavourable prior years reserve developments on recent major losses that put significant pressure on the solvency of most reinsurers. This led to the increase of the retrocession cost due to supply and demand imbalance. The pressure on the industry was further worsened by the lower-for-longer interest rate environment.

The industry also faced regulatory changes such as IFRS 9, IFRS 17 and Solvency II which are complex, expensive and could impact reinsurers negatively. The International Accounting Standards Board has however delayed the enforcement of IFRS 17 till 2023.

On positive note, the industry experienced a modest increase in demand due to the organic growth in the existing business as well as growth potential from emerging risks. On average, global reinsurers generally reported strong premium growth in 2019 and net earned premiums of P&C reinsurers grew approximatively by 7%.

In the same time, the global reinsurance sector experienced an estimated growth of 6.8% (2019: US$ 625 billion) mainly fueled by the growth (2019: 8.6%) of the traditional capital (2019: US$ 530 billion) while the alternative capital declined by 2.1% (2019: US$ 95 billion).

Finally, the underwriting discipline improved due to unfavourable loss experience of 2018 coupled with a strengthened enterprise risk management practice. General improvement in the reinsurance pricing continued its upward movement, especially in territories and lines of business which were the less profitable in recent past years.

The combined ratio of global reinsurers worsened marginally to 100.3% from 99.2% in 2018, driven by large man-made losses and deteriorating casualty trends. This was made up of 68.2% (2018: 66.8%) net loss ratio and a 32.1% (2018: 32.4%) net expense ratio. Natural catastrophe losses were in-line with the long-term average, while reserve releases were sharply lower, reflecting adverse development of recent major losses and deteriorating casualty experience.

Operating efficiency is becoming an increasingly important competitive differentiator across the reinsurance sector. For the first time in several years, the ordinary investment yield showed a small improvement at 4.4% (2018: 2.8%). The net income of global P&C reinsurers almost doubled to US$ 18.2 billion (2018: US$ 9.2 billion) at a growth rate of 97.51%. However, the return on equity of 9.5% in 2019, though higher than 2018 (4.5%), showed a positive trend in performance driven by financial markets with a deteriorating underwriting result, sparking the idea that underwriting capacity may be scarce in the market during the renewal seasons in 2020.

African Reinsurance Market: Intense Competition and Deteriorating Technical Performance

The African reinsurance market continued in 2019 to attract interest from international players due mainly to relatively limited catastrophe exposure. This has put more and more strain on profitability and growth because of stiff competition with limited product innovation and reducing organic growth. According to AM Best rating agency, from its statistics on its rated reinsurers in Africa, combined ratio stood at 98.9% in 2018 (2017: 95.7%), with a 5 years' average (2014 – 2018) of 94.04%, which shows that the market remains more technically profitable than the global reinsurance market.

Among other challenges, the pressure put on African currencies in their value against the US Dollar, together with higher inflation in some case, led to unfavourable exchange rates and lowered the total premium income reported in US Dollar.

Other salient features of the African reinsurance market included its fragmentation with the rise in the creation of national reinsurers and a wave of domestication policies. This goes hand in hand with the introduction of the new policy and legal reinsurance cessions to the benefit of national reinsurers, in addition to already existing mandatory cessions to regional reinsurers which reduce available business to other reinsurers. Other protectionist measures such as withholding tax on reinsurance premium increased the cost of doing business in some markets and exerted more pressure on profit margins for reinsurers who have to bear these costs.

Africa Re in 2019: Improved Performance in a Challenging and Competitive Environment

The Corporation achieved a gross written premium growth of 5.94% to US$ 844.79 million (2018: US$ 797.42 million). The growth was relatively close to the achievement of 6.77% recorded in 2018. All profit centres across business locations experienced growth except for South Africa and the Middle East for strategic reasons in line with the portfolio optimization objectives of the Corporation. The performance recorded in 2019 was also impacted negatively by the depreciation of some African currencies against the US dollar amounting to US$ 29.41 million on the gross written premium. This implies that the Corporation could have recorded gross written premium growth of 9.63% compared to 2018.

Underwriting performance significantly improved with a growth of 25.54% to US$ 25.98 million (2018: US$ 20.70 million). In the reinsurance market today, this is an enviable performance as most reinsurers are recording negative technical results. However, this is below our recent historical achievement and the Corporation is making frantic efforts for significant improvement. The Corporation also had some natural catastrophe claims experience due to tropical cyclone Idai and Kenneth having a devastating impact in the southern African countries of Zimbabwe, Mozambique and Malawi. Some industry practices such as late claims notification, negative run-offs and unfavourable outstanding claims reserve movements are also reflected in the performance.

This translated into a slightly improved net combined ratio of 96.14% compared to 96.93% achieved in 2018 driven by the outcome of the turnaround strategy being implemented in South Africa. This performance is lower than the Corporation's 5-year average (2015 – 2019) of

92.99%. Comparatively, the P&C global reinsurers recorded on average a net combined ratio of 106.6%, 99.1% and 100.3% in 2017, 2018 and 2019 respectively. This shows that reinsurers have been having a challenging time especially on loss experience and the Corporation is one of the few that posted a decent underwriting profit.

Due to the recovery across all financial markets, the investment and other income grew to an all-time high of US$ 66.10 million by 165.84%, despite a loss of US$3 million on its liquid assets as a result of currency translation. This is an excellent recovery from the massive decline recorded in 2018 that posted US$ 24.87 million. The strong performance was driven by underlying movement in the financial markets as well as a review of our investment policies to reduce our equity investment exposure in order to minimize the volatility from financial markets recorded in 2018. The overall average yield of 5.26% in 2019 (2018: 1.96%) on investment assets, from cash instruments, fixed income and equities, was impressive.

Overall, the net profit after tax for the year ended 2019 increased by US$ 68.64 million compared to 2018 to stand at US$ 99.90 million. This was a significant improvement over prior year was driven by a combination of underwriting performance, recovery of financial markets and positive impact on foreign currency translation of monetary assets and monetary liabilities. The summary below captures the impact of these three areas: improved underwriting results (+US$ 5.3 million), positive impact of financial markets recovery (+US$ 40.8 million) and positive impact on the translation of monetary assets & monetary liabilities (+US$ 24.8 million). However, we incurred slightly higher taxation expenses in South Africa (US$1.94 million) due to a return to profitability.

Also, the shareholders' equity increased by 6.34% from US$ 917.05 million in 2018 to US$ 975.20 million in 2019 in line with the increase of the net profit of the year and prior years' capital management strategy that favours the retention of a significant portion of earnings year on year.

With a return on average equity (RoAE) of 10.6%, the Corporation has recovered from the anomaly experienced in 2018 (RoAE: 3.4%) which was indeed a difficult year. This performance is slightly above the 9.2% recorded by global P&C reinsurance companies. The Corporation's 5-year average (2015 – 2019) stands at 10.10% compared with the 7.0% achieved by global reinsurers in the same period.

Outlook for 2020:
Uncertainty Due to Covid-19 Pandemic and its Devastating Impact

Our world has been disrupted by Covid-19 pandemic outbreak and its negative impact is continuously evolving across different sectors of the national, regional and global economy with a very high degree of uncertainty. Initial projections show that the pandemic will have significant economic fallouts and its unintended consequences on the financial and commodity markets in line with the different confinement and containment approaches adopted by national governments to flatten the curve of infections and reduce the spread of the virus.

In April 2020, the IMF projected that the global economy will contract by 3% as advanced, emerging and developing economies battle with this multi-layered crisis comprising of a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals and a collapse in commodity prices. The impact of this pandemic is expected to lead to the worst recession since the Great Depression, surpassing the global financial crisis of 2008/2009.

Africa was one of the last continents to catch the Covid-19 virus and its spread is on the rise while advanced economies are beginning to see a flattening of the curve. IMF projected that Sub-Saharan Africa will contract by 1.6% with Nigeria and South Africa shrinking by 3.4% and 5.8% respectively. The World Bank also projected that Covid-19 will drive Sub-Saharan Africa towards its first recession in 25 years. The impact has also led to some sovereign rating downgrades in Nigeria, Angola and South Africa.

The industry is definitely in uncertain times based on the views of rating agencies that have led to the outlook review or outright downgrade of some reinsurers. One of the rating agencies believes that the pandemic will create unprecedented disruption in the global economy and will weigh on reinsurers' capital and profitability in the coming months despite global reinsurers entering the year with solid capital levels. It is projected that investment volatility, losses primarily from pandemic exposure and specialty P&C lines as well as potential adverse reserve development in US casualty lines will weaken future results, even as pricing remains relatively favourable.

With these uncertainties, the Corporation has withdrawn any earlier communicated performance outlook for 2020. However, it is expected that there will be a decline in gross written premium affecting the new and existing businesses that were earmarked for the year due to the economic inactivity. The other major impact is the depreciation of African currencies which will adversely affect the reporting of the corporate results in the US dollar.

The industry is also poised to see a potential surge in claims. Apart from the traditional losses, there is a likelihood of claims inflation, increased moral hazards, demand for ex-gratia payments, coverage disputes and adverse reserves development. These factors can significantly deteriorate the underwriting performance if the materialize beyond manageable thresholds.

The investment income outlook for 2020 is very uncertain but is also expected to be mostly negative. As companies in various sectors and industries have been negatively impacted by the Covid-19 pandemic, it is expected that dividends pay-out may be reduced, some bond issuers may default on either interest payments or capital repayments or both. Other companies will simply be forced to shut down due to solvency and bankruptcy considerations. This will be reflected in lower interest income received on bonds and lower dividends income received on equity investments. Financial markets are also likely to remain depressed into the foreseeable future and thereby resulting in unrealised losses for the assets we hold.

On a positive note, governments around the world have swung into action with required fiscal and monetary policy actions to reduce the impact of the pandemic. As a socially responsible business entity, besides the various support to its employees, the Corporation, through its Africa Re Foundation funded by up to 2% of its annual net profit, will contribute up to US$ 3 million to support national and continental efforts at reducing the negative impact of the Covid-19 pandemic on communities and countries.

The outcome of our initial stress test conducted in March 2020 showed that the Corporation, despite a very low net profit expected for 2020, is resilient to weather the storm based on its capital adequacy and liquidity position across pessimistic, realistic and optimistic scenarios and other financial strains on the balance sheet. This has been confirmed by rating agencies with the retention of the Corporation's A – rating with Stable Outlook by S&P early in May 2020.

There are however opportunities in this period that we are strategically positioned to manage some of the shocks for a more robust reinsurance market to come characterized by reduced capacity and stronger prices. The Corporation is cautiously monitoring the situation and it expects to return a performance that will be at par or better than the global and regional reinsurance market in 2020.

In conclusion, 2020 is going to be a difficult year and the extent of its impact is dependent on how long the pandemic lasts including finding stable treatment and vaccines as well as how fast the national, regional and global economies recover from the recession it has created. The Corporation expects to however maintain its fundamental strengths, both in capitalization and liquidity, and to keep its business profile and competitive position after the recovery.

II. TECHNICAL OPERATIONS

The Corporation's operating results are examined in this section and compared to 2018 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 and African Pools;
- 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 Middle East Retakaful markets handled by the subsidiary - **African Retakaful Company**.

One local office

- Addis Ababa, Ethiopia.

One underwriting office

- Kampala, Uganda

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)	2019			2018		
	Gross	Retro	Net	Gross	Retro	Net
Income						
Premium (less cancellations)	844,786	(163,138)	681,648	797,415	(116,081)	681,334
Change in unearned premium provision	(22,064)	13,756	(8,308)	(4,259)	(3,521)	(7,780)
Earned premium	822,722	(149,382)	673,340	793,156	(119,602)	673,554
Outgo						
Losses paid	461,122	(73,242)	387,880	455,272	(31,988)	423,284
Change in outstanding claims provision (incl. IBNR)	24,373	(10,920)	13,453	5,820	(17,787)	(11,967)
Incurred losses	485,495	(84,162)	401,333	461,092	(49,775)	411,317

Premium income

In 2019, the Corporation generated a gross written premium income of US$844.79 million which is 5.94% more than the 2018 production of US$797.42 million.

Fluctuations in exchange rates adversely impacted the Corporation's production by US$29.41 million as the Sudanese pound, the CFA franc and the South African rand weakened against the US dollar among other currencies.

African economic growth stabilized at 3.4% in 2019. Structural challenges remain as African economies still find it difficult to grow their industrial sector and continue to rely on services, heavily dominated by the informal sector. Significant disparities are still observable, with some non-commodity countries in sub-Saharan Africa continuing to record higher growth rates averaging 6%.

In South Africa, real GDP contracted further by 0.6% in 2019, down from 0.8% in 2018. The contraction of the agriculture and mining sectors contributed mainly to the slow growth.

Nigeria's real GDP growth is estimated at 2.2% in 2019, up from 1.9% in 2018. The growth is mainly from transport, an improved oil sector and the information and technology sector.

Egypt's economy is estimated to have grown by 5.6% in 2019, supported by strong economic reforms since 2016. Tourism, construction and oil sectors were the main drivers of the growth.

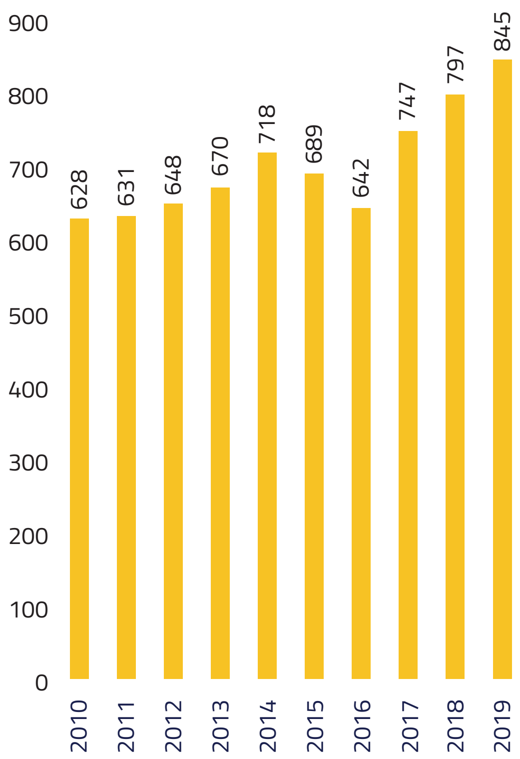
The real GDP for Kenya grew by an estimated 5.6%, driven by household consumption and investment on the demand side, and services on the supply side.

Morocco's economic growth continued to be modest, at 2.2% in 2019 due to the limited performance of the agriculture sector which employs about 46% of the population.

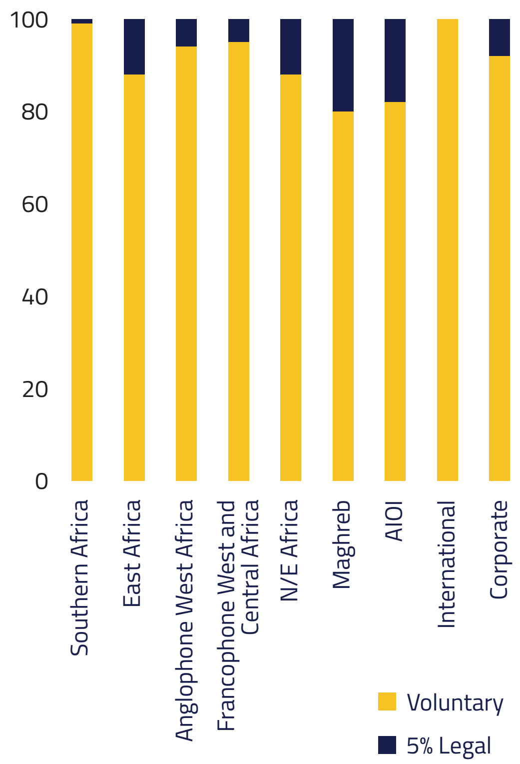
African economic growth was expected to pick up to 3.9% in 2020. However, growth will be significantly impacted by the Coronavirus (COVID-19) outbreak. The African insurance and reinsurance industry will also be negatively affected.

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



Financial year 2019



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 have risen to 41).

Compulsory cessions presently account for 7.7% of gross premium income.

Geographical distribution

Africa Re operates from a network of six regional offices, two subsidiaries, one local office and an underwriting office. 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 highest premium provider with a contribution of 20.6% to the overall group turnover in 2019. In the year under review, ARCSA generated US$174.32 million (2018: US$216.07 million), representing a reduction of 19.32% over last year's income. This reduction is mainly due to the ongoing implementation of the turnaround strategy to improve profitability, leading to the cancellation of poor performing business. The reduction was further negatively impacted by the depreciation of the rand against the US dollar, leading to a translational loss of US$14.16 million.

East Africa

Production from this region increased by 12.68% to US$170.59 million (2018: US$151.39 million). This figure accounts for 20.19% of the corporate income. This was achieved despite the adverse impact of depreciation on key currencies which led to a translational loss of US$3.0 million.

Anglophone West Africa

Premium income from this region was US$130.18 million (2018: US$90.69 million), representing a 43.54% increase over the previous year. This turnover accounts for 15.41% of corporation's production. The negative impact of rates of exchange fluctuations was marginal, at US$0.57 million.

Maghreb

Production from the Maghreb increased by 4.12%, to US$67.24 million (2018: US$64.58 million). Premium income from the region accounts for 7.96% of the corporation's production. The negative impact of the rates of exchange fluctuation was mild, at US$0.90 million.

North East Africa

Domestic production from the Cairo Regional Office grew marginally from US$37.31 million in 2018 to US$38.47 million in 2019 due to continued pressure from competition. The impact of rates of exchange fluctuation was marginally positive at US$0.79 million. Income from North East Africa accounts for 4.55% 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 11.76% from US$86.63 million in 2018 to US$96.82 million in 2019. This growth was achieved despite the negative impact of the exchange rate of US$2.72 million. Income from this region accounts for 11.46% of corporate production.

African Indian Ocean Islands

Income from the African Indian Ocean Islands and Lusophone African markets, increased from US$26.37 million in 2018 to US$29.67 million in 2019. Business from this office accounts for 3.51% of the Corporation's turnover.

Africa Retakaful

The turnover of Africa Retakaful increased significantly from US$51.73 million in 2018 to US$64.41 million in 2019. Premium growth is commendable as it was achieved despite the significant adverse impact of rates of exchange fluctuation at US$6.51 million, notably the depreciation of the Turkish lira and the Sudanese guinea. Production from this region accounts for 7.62% of corporate turnover.

International Business & African Pools

Africa Re's income from international business increased from US71.74 million in 2018 to US$72.07 million in 2019. Production from the Middle East was US$35.07 million in 2019 (2018: US$39.48 million). Income from Asia increased from US$28.53 million in 2018 to US$33.06 million in 2019. Production from Brazil increased slightly from US$3.73 million in 2018 to US$3.94 million in 2019.

Premium income from the African Oil & Energy and African Aviation Insurance Pools managed by the Corporation increased from US$0.90 million in 2018 to US$1.01 million in 2019.

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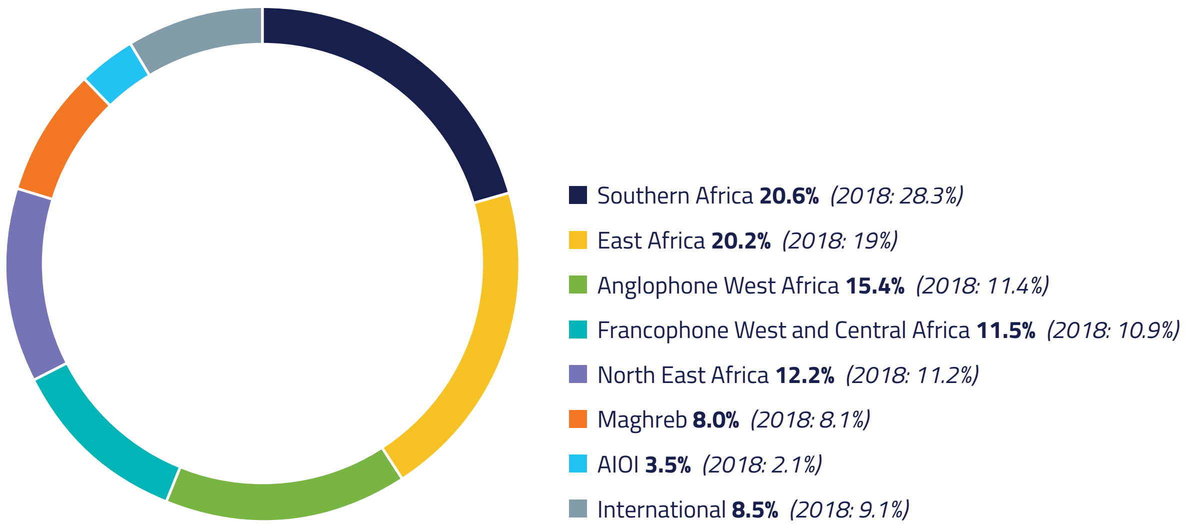
Geographical distribution of gross premium



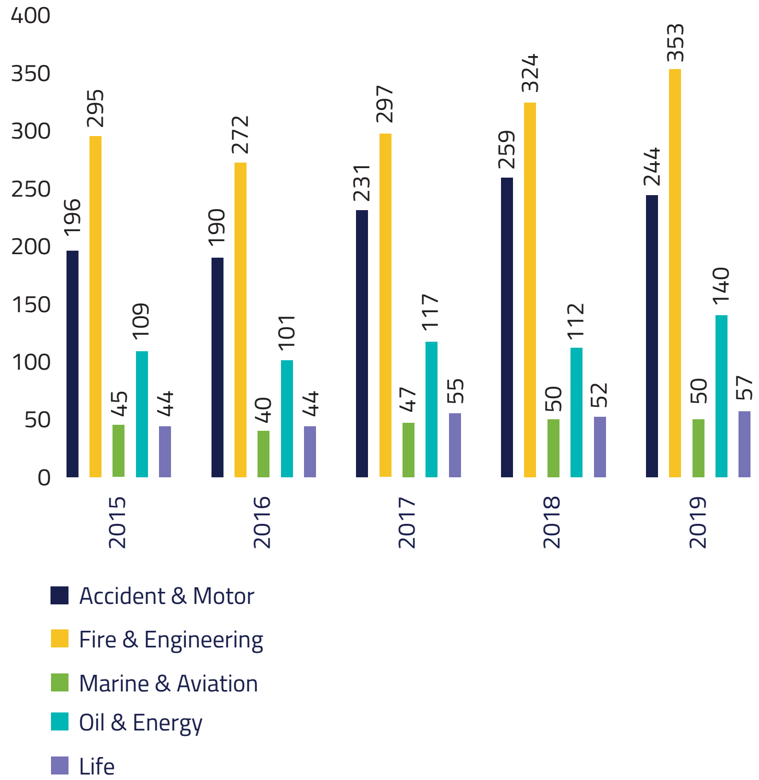
Sectoral distribution

Fire and Engineering class continued to produce the highest turnover with US$352.78 million representing 41.8% of corporate production as against US$323.76 million or 40.6% in 2018. This is followed by the Accident and Motor class, which stood at US$244.38 million or 28.9% of corporate income (2018: US$259.46 million representing 32.5%).

Oil & Energy class is third with a production of US$139.81 million or 16.5% of turnover (2018: US$111.81 million representing 14.0%).

The Life class is fourth with US$57.32 million or 6.8% of turnover (2018: US$52.01 million or 6.5%) while the Marine and Aviation class follows with US$50.50 million, which is 6.0% of corporate production (2018: US$50.39 million representing 6.3%).

Premium by class in US$million



Technical expenses

Losses

Total gross claims paid increased from US$455.27 million in 2018 to US$461.12 million in 2019.

Gross claims paid ratio reduced from 57.40% in 2018 to 56.05% in 2019. Gross incurred losses, which include movement in outstanding claims provision (US$5.82 million in 2018 as against US$24.37 million in 2019), amounted to US$485.5 million in 2019 (US$461.1 million in 2018).

The table below provides insight into the previously stated indicators.

Gross loss ratio by class - financial year 2019 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.	151.05	305.01	49.52%	23.28	38.08	61.12%	174.33	343.10	50.81%
Accident motor	151.37	226.98	66.69%	10.65	15.52	68.60%	162.02	242.50	66.81%
Oil & Energy	68.87	119.72	57.53%	30.41	10.27	296.06%	99.28	129.99	76.38%
Marine & aviation	20.14	46.65	43.16%	3.93	5.22	75.26%	24.07	51.88	46.39%
Life	25.76	54.77	47.04%	0.04	0.49	8.25%	25.80	55.26	46.70%
Total	**417.19**	**753.13**	**55.39%**	**68.31**	**69.59**	**98.16%**	**485.49**	**822.72**	**59.01%**

Loss Experience by Trading Area

The gross incurred loss ratio for the subsidiary in South Africa decreased from 75.9% in 2018 to 56.8% in 2019 and the net incurred loss ratio also decreased from 77.2% to 57.5%. The subsidiary had a relatively safer year in terms of catastrophe events compared to previous years. The biggest loss for the year was Clover fire loss.

The gross incurred loss ratio of the West Africa Regional Office increased from 41.3% in 2018 to 64.6% in 2019. The net incurred claims ratio increased from 50.6% in 2018 to 53.3% in 2019.

The gross and net incurred loss ratios of the East Africa Office increased to 55.0% and 55.4% in 2019 up from 51.7% and 52.3% in 2018 respectively.

The Maghreb region's loss ratio (gross and net) increased to 59.6% and 57.3% in 2019 up from 53.1% and 56.1% in 2018 respectively. This was due to a few large losses such as Sonatrach, ACWA and Interconnexion.

The incurred loss ratios of North East Africa reduced from 39.3% (net: 67.6%) in 2018 to 34.8% (net: 53.6%) in 2019.

The gross incurred claims ratio of the predominantly Francophone West and Central Africa Office decreased from 56.8% to 35.1% in 2019. However, the net incurred claims ratio increased from 46.6% in 2018 to 51.1% in 2019. The previous year's saving on the net was mainly due to an increased retro recovery on the adverse development of the SIR refinery claim.

The gross claims ratio of the African Indian Ocean Islands and Portuguese speaking African countries (Angola and Mozambique) reduced from 76.6% (net: 76.5%) in 2018 to 69.3% (net: 75.5%) in 2019.

The gross incurred claims ratio of Africa Retakaful Company reduced to 66.3% in 2019 from 71.7% in 2018. However, the net incurred claims ratio increased from 66.9% in 2018 to 70.1% in 2019. The relatively high loss ratios are a combination large losses and attritional losses.

The gross and net incurred loss ratios of the international operations increased from 59.0% and 60.5% in 2018 to 98.2% and 77.8% in 2019. The increase was mainly driven by the Middle East with gross and net incurred loss ratios of 137.9% and 99.4% respectively.

Commissions and Charges

Gross commissions and charges including movement in deferred acquisition costs amounted to US$227.3 million (2018: 217.4 million), while retro commissions and charges stood at US$29.8 million (2018: US$20.9 million). Accordingly, net commissions and charges increased slightly from US$196.7 million in 2018 to US$197.4 million in 2019.

III. INVESTMENT INCOME

Portfolio performance

The year 2019 was characterised by easing of trade tensions between USA and China, a low interest rate regime by major world powers and a strong recovery in the global equity markets. The Federal Reserve of the United States of America cut its target interest rate three times in 2019. The European Central Bank further cut its target interest rate moving it into negative territory. The People's Bank of China also cut short term funding rates for the first time since 2015. African giants also joined the rate cutting race as South Africa cut rates by 25 basis points in response to the gloomy economic situation in 2019. Nigeria also cut key interest rates in 2019 for the first time in more than three years to help boost the economy.

Global economic growth weakened from 3.7% in 2018 to an estimated 2.9% in 2019. The major culprits for this include trade tensions between the US and China, Brexit, weak manufacturing and geopolitical tensions in the Middle East. Despite weak global growth, Africa witnessed a steady growth in 2019, at 3.4% (3.5% in 2018), thanks to an increase in investment despite a gradual downward shift in private consumption. Growth was led by Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania and Benin.

The average prices of key export commodities had a mixed performance when compared to 2018.

- Crude oil & natural gas average prices were lower in 2019 by 10% and 37% respectively.
- Tea & coffee average prices were10% lower in 2019 compared to 2018.
- Cocoa beans recorded a marginal price increase of 2% compared to 2018 average prices.
- Gold average prices were 10% higher than in 2018.
- Base metals improved slightly with average prices 3% higher compared to 2018.

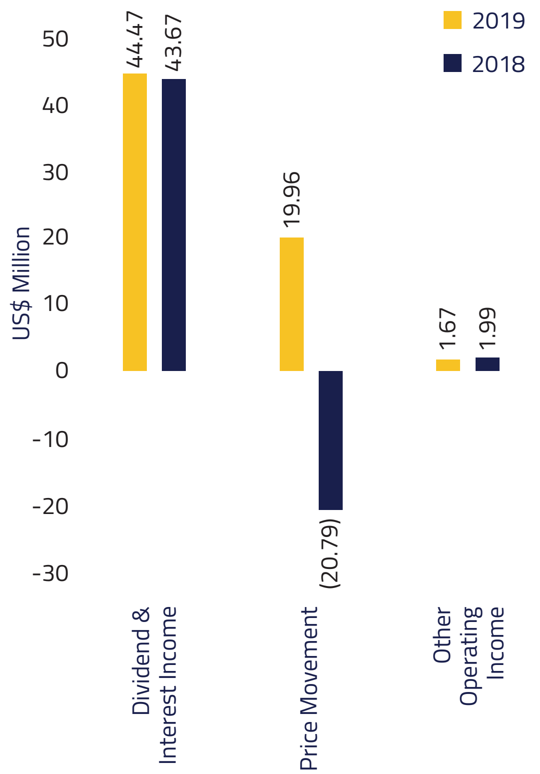
The US dollar index strengthened in 2019 by 0.33%. This strengthening, coupled with falling commodity prices, has led to a build-up of pressure on some of the Corporation's key transactional currencies.

The rates of exchange against the USD at 31 December 2019 compared to 31 December 2018 for the Corporation's main transactional currencies are in two broad baskets:

1) Those that remained fairly stable: the South African rand (+2.22%), CFA West Africa (-2.18%), Kenyan shilling (+0.49%) and Moroccan dirham (-0.58%).
2) Those with significant spikes: Egyptian pound (+11.89%), Mauritian rupee (-5.76%), Ethiopian birr (-11.31%) and Nigerian naira (-15.27%).

The investment portfolio grew in value by 9.12% year-on-year from US$1.17 billion in December 2018 to US$1.28 billion in December 2019. This growth is explained by the combination of positive investment income and technical cash flows. Management continues to prudently manage the assets of the Corporation in line with the approved investment policy and guidelines.

Investment & Other Income



Total investment & other income for 2019 stood at US$66.10 million (2018: US$24.86 million) mainly driven by an upswing in the financial markets. The investment portfolio posted an average return of 5.26% (2018: 1.96%). The portfolio benefited from a strong market recovery which generated US$19.96 million income in 2019 as opposed to a loss of US$20.79 million recorded in 2018.

Asset composition

As at the end of December 2019, the allocation of the investment portfolio is in line with the Corporation's asset allocation guidelines.

The allocation to equity securities increased slightly from 10% in December 2018 to 11% in December 2019 due to the strong recovery of the equity markets.

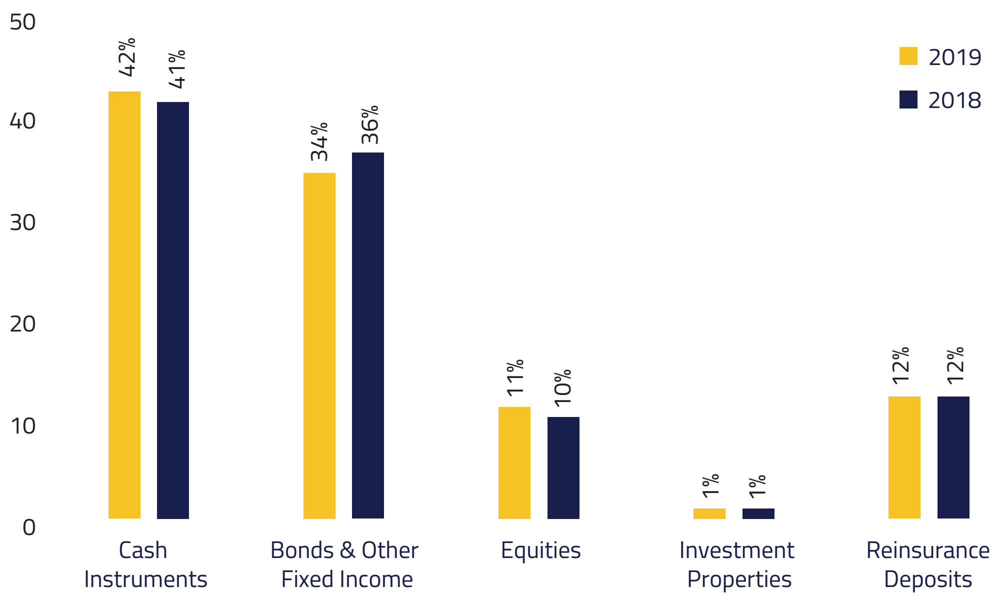
The allocation to bonds and other fixed income products decreased to 34% compared to 36% recorded in the same period of 2018 and is mainly explained by portfolio liquidation.

Investment property remains the lowest asset class in terms of proportion of the investment portfolio with 1%. However, its value increased significantly from US$6.99 million as at 31 December 2018 to US$13.80 million as at 31 December 2019 following the completion of the construction of two properties in Lagos which have now been classified as investment properties.

Deposits with ceding companies stood at 12% similar to last year.

The proportion of cash instruments stood at 42%, slightly higher than the weight of last year, explained by the proceeds from the disposal of some bond portfolios.

Asset Composition



Long term investments

The Corporation continues to support the socio-economic development of Africa by, amongst others, allocating its long-term equity investments to African entities or those contributing directly or indirectly to the growth of economic activities on the continent. The Corporation's total commitment to private equity stood at US$55.090 million invested in a portfolio of 20 companies made up of:

- Four (4) African development finance institutions: Shelter Afrique, TD Bank, Afreximbank and African Finance Corporation (AFC);
- Three (3) insurance companies: Allianz Vie (Cameroon), Gepetrol Seguros SA and ATI Agency (Kenya);
- One (1) pension fund administration company (ARM PFA in Nigeria);
- Eleven (11) privately-managed 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) Block Chain initiative called Block Chain Insurance Industry Initiative (B3i Services AG[1]).

1 B3i Services AG was incorporated in 2018 and is 100% owned by 20 insurance market participants around the world. Altogether, more than 40 companies are involved in B3i as shareholders, customers, and community members. Our vision is to see the insurance market deliver better solutions for end consumers through faster access to insurance with less administrative cost.

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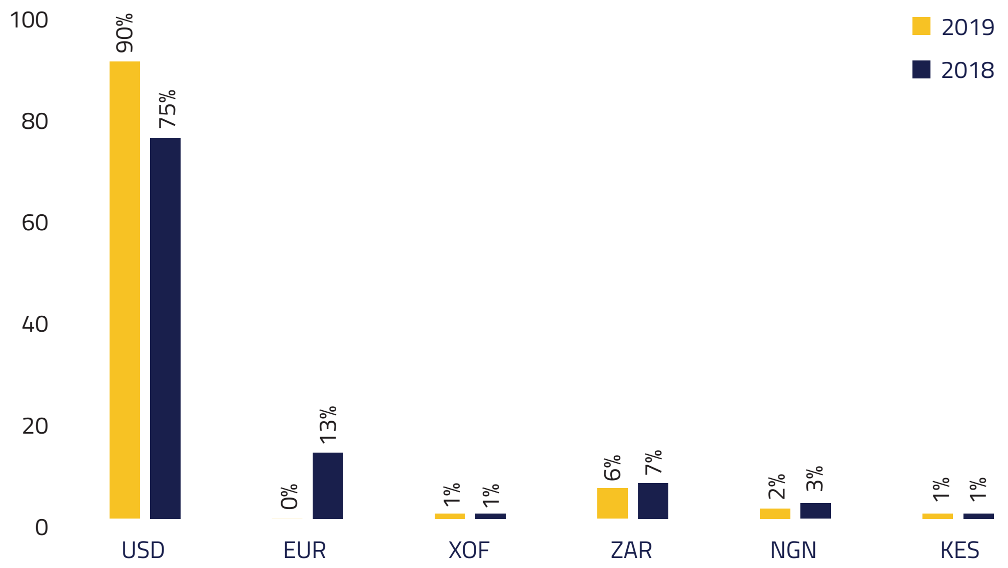
Equities

The year 2019 was very good for stocks across the globe. The Dow, S&P 500 and the NASDAQ gained 25.30%., 31.50% and 36.70% respectively. MSCI Emerging Markets Index was up by 18.90% and the Hong Kong Hang Seng index ended the year with a gain of 13.70%. African equity markets were not an exception. The Kenya ASI index rose by 19.5% whilst the South African JSE All share index gained 11.4%. However, All Shares Index of Nigeria fell by 14.60%.

The equity portfolio is made up of listed and non-listed securities. Its value increased by 14.08% year-on-year from US$118.66 million recorded in December 2018 to US$135.36 million in December 2019 mainly because of valuation improvement. There was no portfolio disposal in 2019.

Currency Exposure of Equity Portfolio



The US dollar remains the most preferred investment currency of the equity portfolio.

Bonds and other fixed income

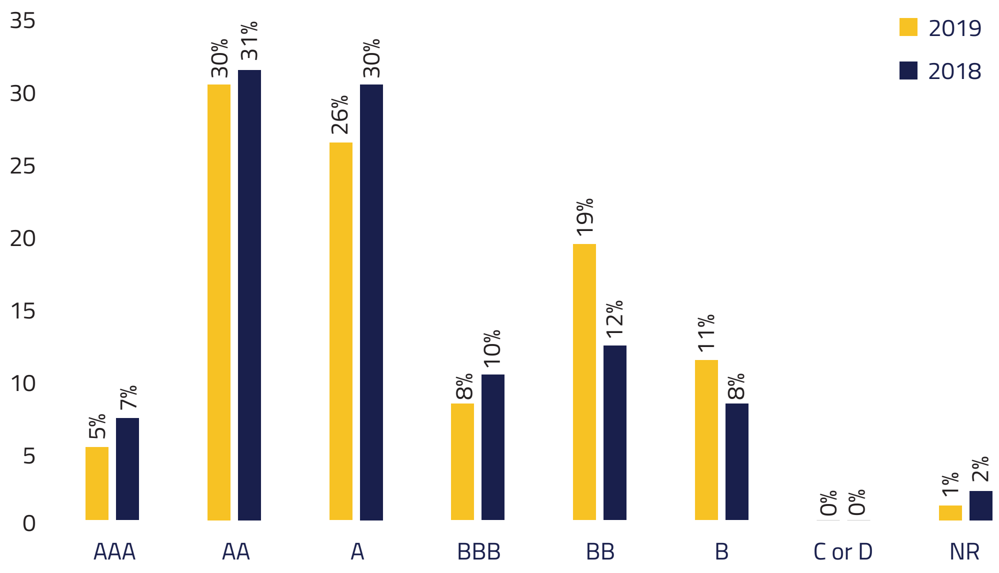
The global bond market also enjoyed the action of Fed intervention through rate cuts in 2019. However, yields were generally low across the globe, with some registering negative yield as in the case of Europe. There were fears of recession when the yield curve inverted a couple of times during the year. Overall, valuations were good with price gains in bond portfolios, thanks to falling interest rates.

The bond portfolio grew by 3.75% year-on-year from US$425.85 million in December 2018 to US$441.81 million as at December 2019. This is mainly due to an increase in allocation to European and South African bonds. South Africa invested most of the cash received from the disposal of a portion of its equity portfolio in bonds

The Corporation continues to place much emphasis on quality and liquidity. Accordingly, the overall portfolio remained well diversified across sectors, issues, maturities, markets and managers. The average duration is 4.6 years, while weighted average rating stood at "A". The Corporation continues to categorize US Government Treasury securities as AA rated following the credit downgrade of the US Government by Standard & Poor's in 2011.

The average credit quality of the bond portfolio remains at "A". Sixty nine percent of the bond portfolio is investment grade. Non rated (NR) bonds, which are securities that are not rated by either S&P, Moody's or Fitch, are African Securities issued locally and with high local ratings. Their share in the portfolio is less than 1%. The allocation to "BB" rated bonds increased because of the reallocation from equity to bond instruments in South Africa.

Bond Portfolio Credit Profile



Cash and Cash Instruments

Cash instruments recorded a positive income for the year 2019. The full year result reached US$22.99 million compared to US$ 18.74 million in 2018. The performance of the cash instruments can be attributed to a more aggressive liquidity management in 2019.

Other Operating Income

Other operating income (management fees received from African Aviation Pool, Oil & Energy POOL, EAIPN Pool, sundry income) recorded during the year amounted to US$ 1.67 million (2018: US$1.99 million).

IV. RESULTS OF THE 2019 FINANCIAL YEAR

Gross written premium income in 2019 closed at US$844.786 million, increasing over US$ 797.415 million posted in 2018 by 5.94%. This increase is due to increased facultative acceptances in energy and oil class of business.

The Corporation's policy continues to rely on Excess of Loss programmes to protect the net retention in its traditional acceptances, while purchasing additional covers for the major oil and petrochemical risks as well as other special risks. During the year, additional covers were purchased on aggregate limit to further protect the Corporation. Total premium ceded to retrocessionnaires during the year was US$149.382 million, translating to an increase of 24.90% over the 2018 retrocession (US$119.602 million).

Adjustment for the movement in the provision for unearned premiums, net of retrocessionnaires' share thereof, produced a **net earned premium** of US$673.340 million, almost at par with the 2018 performance (US$673.554 million).

Gross claims paid in 2019 totalled US$461.122 million compared to US$455.272 million in 2018, an increase of 1.28%. The Corporation benefitted substantially from its retrocession arrangement with a total recovery of US$73.242 million from retrocessionnaires, up from US$31.988 million in 2018, an increase of 128.97%. This resulted in **net losses paid** decreasing to US$387.880 million, compared to US$423.283 million in 2018, an improvement of 8.36%. Adjustment for movement in outstanding claims (including Incurred but Not Reported - IBNR) provisions resulted in a **net incurred loss** of US$401.333 million, compared to US$411.317 million in 2018, translating to an improvement of 2.43%. The net incurred claims ratio was 59.60% (2018: 61.07%). This improvement in net loss incurred was driven by substantial recovery from the excess of loss programme on some energy risks that posted huge losses.

Gross acquisition costs in 2019 totalled US$227.269 representing an increase of 4.52% over US$217.445 million in 2018. The increase over 2018 is an improvement compared to the growth rate of 5.94% in gross written premium. A total of US$29.834 million was recovered from retrocessionnaires, an improvement of 42.97% over US$20.867 million recovered in 2018. The net acquisition cost for the period closed at US$ 197.434 million, which is almost at par with US$196.578 million recorded in 2018. The **acquisition cost ratio** was generally stable at 29.32% compared to 29.19% in 2018.

Underwriting result before management expenses, on net basis, was US$ 74.573 million for the financial year 2019, representing a growth of 13.57 % over US$ 65.658 million recorded in 2018.

Management expenses for the year totalled US$48.591 million, increasing by 8.07% over US$44.962 million incurred in 2018. The increase was in part due to enhanced **provision for bad debts** as the Corporation continues to strengthen the quality of its receivables. Overall, **management expense ratio** deteriorated to 7.22% in 2019 from 6.68% in 2018 partially due to the zero growth of the net **earned** premiums in 2019 while management expenses continued to grow.

Income earned by the Corporation from investment and other sources, including interest on reinsurance deposits recorded a major leap over 2018 figures to close at US$66.102 million compared to US$24.865 million in 2018, an increase of 165.84%. The performance was mainly due to the recovery of financial markets with the Corporation posting a total market gain of US$19.964 million compared to a loss of US$20.791 million in 2018.

Foreign currency exchange differences arising from revaluation of monetary assets and liabilities against the various functional currencies resulted in a net gain of US$ 9.758 million (2018: net loss of US$ 14.988 million). This was mainly driven by the significant changes in the Nigerian naira.

Consequently, **profit after tax** in 2019 amounted to US$99.904 million compared to US$31.269 million in 2018, representing an increase of 219.5%.

Exchange losses on the translation of foreign operations was US$23.317 million, a significant deterioration from US$16.691 million posted in 2018 by 39.70%.

Overall, the **Total comprehensive income** for the year stood at US$ 78.916 million compared to US$ 19.394 million in 2018, representing an increase of 306.91%.

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, the Board recommends that the 2019 net profit of US$ 99,904,000 be distributed as follows:

- US$49,952,000 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;
- US$800,000 to be transferred to the reserve for loss fluctuation in accordance with the decision taken by the Board during its 57th meeting to set aside an amount over and above the outstanding claims provision to moderate the effects of possible fluctuation in losses in future;
- US$ 1,998,080 to be transferred to the Africa Re Foundation as 2% of the net profit;
- US$ 25,155,777 to be paid as dividend at the rate of US$ 8.80 per subscribed and paid-up share of US$100 par value.
- The balance of US$ 21,998,143 to be added to retained earnings.

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 new 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.

A.M. Best affirmed on 11 December 2019 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 categorises as strongest, as well as its strong operating performance, favorable business profile and appropriate enterprise risk management."

"Africa Re's balance sheet strength is underpinned by 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 16 August 2019. According to S&P, the affirmation:

"The robust levels of capital sufficiency (as measured by our capital model) within the group are a rating strength. Africa Re has incrementally built up its capital base, with total adjusted capital expected to approach US$1 billion over the next two to three years. We also expect the company's capital levels to remain at the 'AAA' confidence level, despite any adjustment to the capital-management strategy.""

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 11, 2019
Standard & Poor's	A-	A-	Stable	August 16, 2019

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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) was set up 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

<table>
<tr><td colspan="4">Board of Directors</td></tr>
<tr><td colspan="4">Underwriting, Risk Management and IT Governance Committee of the Board</td></tr>
<tr><td colspan="4">Executive Management</td></tr>
<tr><td>Risk Management Committee</td><td>Investment Committee</td><td>ICT Steering Committee</td><td>Special Risks Committee</td></tr>
<tr><td colspan="4">Chief Risk Officer</td></tr>
<tr><td colspan="4">Risk Management function</td></tr>
</table>

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

- **The day-to-day risk management and management control line**, where staff and Management have direct responsibility for the management and control of risk;
- **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
- **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.

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 78 - 85).

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.

ERM Evaluation by Rating Agencies

Enterprise Risk Management in Africa Re received a rating in 2019 from A.M. Best. Below is an excerpt from the rating.

A.M. Best: **Appropriate**

"[Africa Re] continues to demonstrate a solid and evolving enterprise risk management (ERM) framework, which remains appropriate relative to its risk profile. The corporation maintains an ERM unit headed by a [Chief Risk Officer], who oversees the risk management function across the group. AM Best has noted the improvements in [Africa Re]'s ERM as a factor contributing to the strengthening of technical results over the years."

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.

In June 2019, the Board decided to increase the number of Board Committees from 3 to 5. 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 Management 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.

Shareholding

Shareholding Structure as at 31 December 2019

Shareholder	Number of Shares	In %
41 Member States	986,627	34.51
African Development Bank (AfDB)	240,000	8.40
114 African insurance and reinsurance companies	971,984	34
3 Non-African Investors (FAIRFAX, AXA, and ALLIANZ SE)	660,000	23.09

Authorized / Paid-Up Capital and Recent Changes in Shareholding

The authorized capital of the Corporation amounts to US$ 500,000,000 as at 31 December 2019.

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 current approved issued capital stands at US$ 300 million with US$ 285,861,100 fully paid up. The capital is divided into 2,858,611 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 twenty-one (21) days after the first meeting in the case of the ordinary general meetings and seven (7) days 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 Mr Hassan BOUBRIK and comprises 12 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 well as the constituencies/group of shareholders which they represent.

Name & Nationality	Constituency	Current Term Ends
Mr Hassan BOUBRIK Moroccan	Morocco: state and companies	2020
Mr Aguinaldo JAIME Angolan	East and Southern Africa and Sudan (12 states)	2020
Dr Mohamed Ahmed MAAIT Egyptian	Egypt: state and companies	2021
Mr Boubacar BAH Guinean	Francophone West and Central Africa (states and companies)	2021
Mr Kamel MARAMI Algerian	Algeria: state and 4 companies	2021
Vacant*	Anglophone West Africa (4 states and companies) and East and Southern Africa (companies)	
Mr Hafedh GHARBI Tunisian	Libya, Mauritania and Tunisia (states and companies)	2021
Mr. Olorundare Sunday THOMAS Nigerian	Nigeria: state and companies	2021
Mr Joseph VINCENT Belgian	African Development Bank (AfDB)	2021
Mr Hassan SHABRAWISHI Egyptian	AXA	2021
Mr Jean CLOUTIER Canadian	FAIRFAX	2021
DR Coenraad Christiaan VROLIJK Dutch	ALLIANZ SE	2021
Mr. Moustapha COULIBALY Ivorian	Independent Non-Executive Director A	2023 after approval by the General Assembly in November 2020
Independent Director B**	Independent Non-Executive Director B	N/A

* Vacant board seat pursuant to Article 15.3 of the Agreement Establishing Africa Re.
** The recruitment process for Independent Director B is ongoing.

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 114 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.

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)
- Mr Boubacar BAH
- Mr Joseph VINCENT
- Dr Mohamed MAAIT

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 Aguinaldo JAIME (Committee Chairman)
- Mr Kamel MARAMI
- Mr Hassan El SHABRAWISHI
- Mr Hafedh GHARBI
- Independent B

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 Olorundare Sunday THOMAS
- Mr Hafedh GHARBI
- Independent B

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

- Dr Mohamed MAAIT (Committee Chairman)
- Mr Boubacar BAH
- Mr Coenraad VROLIJK
- Mr Hassan El SHABRAWISHI
- Mr. Moustapha COULIBALY

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

- Mr. Hassan BOUBRIK (Committee Chairman)
- Mr. Aguinaldo JAIME
- Mr. Kamel MARAMI
- Mr. Coenraad VROLIJK
- Mr Olorundare Sunday THOMAS

Board Evaluation and Training

Evaluating the performance of the Board was part of the recommendations of the last corporate governance review exercise. The Board has decided that its performance shall be evaluated through a self-assessment exercise. Accordingly, the next self-assessment of the Board is scheduled for Q3 2020.

As regards training, new Board members are provided with induction packs on the functions of the Board and the Committees.

Board of Directors – Activities in 2019

The Board of Directors met three times in 2019. The first meeting was held in Johannesburg, South Africa, in April 2019. The second meeting took place in Tunis, Tunisia, in June 2019 and the third was held in Abuja, Nigeria in November 2019. The average attendance rate was 95%.

Executive Management

The Executive Management comprises the following members as at 31 December 2019:

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 subsidiary, African Reinsurance Corporation South Africa (ARCSA), is mandated to comply with all applicable regulatory requirements in South Africa. 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 independently from internal audit. 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:

- The scope of the compliance function has been extended to 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.
- The Anti-Money Laundering (AML)/ Combating Terrorist Financing (CTF) document was prepared and approved by the Board.
- Implementation procedures and service agreements have been approved by Executive Management and the implementation of the AML/CTF policy has commenced.
- A compliance screening tool has been acquired to ensure that all clients on board the Corporation's books are properly screened.

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 Actions Task Force (FATF) and the guidance paper of the International Association of Insurance Supervisors (IAIS) on this subject.

The AML/CTF 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 the corporate social responsibility in line with global best practice and to achieve the goal of the CSR Trust Fund, the **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 2019, the Foundation implemented the following recurrent and non-recurrent initiatives to achieve its strategic goals.

Education and Training

- One hundred and twenty five (125) insurance professionals were trained on insurance, reinsurance and related courses through the Young Insurance Professionals' Programme (YIPP) of the Africa Re Foundation. They were equiped with industry required knowledge and skills that will facilitate higher job performance and improve productivity.
- Partnered with the International Labor Organization (ILO) on microinsurance development in Africa. This training and capacity building is aimed at enhancing the capacity of insurance professionals and improving insurance penetration in African markets.

Insurance Industry Development

- The Foundation sponsored the 2019 Edition of the African Insurance Awards (AIA 2019) where it celebrated and rewarded insurance industry achievers such as the African Insurance CEO of the Year; Insurance Company of the Year; and Innovation in Insurance of the Year with a view to motivating industry players for higher performance.
- The Foundation also sponsored the strategic plan review of the African Insurance Organisation (AIO) to ensure the smooth operation of the organization to support industry growth and development.

Research and Development

- The insurance industry in Rwanda was supported by the Foundation to carry out an actuarial survey / study for non-motor insurance with a view to enhancing product and market development.
- The Foundation continues to support the Egyptian Financial Regulatory Authority in the building of the first actuarial tables for the life insurance industry in Egypt.

Community Development

- The Foundation contributed to community development by sponsoring the Africa Day celebration and outreach to communities in Nigeria: an annual event aimed at supporting the needy and vulnerable communities.

Technology Development

- African Insurance Awards (AIA 2019) also celebrated and rewarded the winner of the Insurtech of the Year. This award is designed to motivate and encourage technological innovations in the African insurance industry.

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 and objectives provide best practices that contribute to high level employee engagement and organizational development in order to deliver the Corporation's 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 (6) staff categories in Africa Re.

The Local Professional Staff category was introduced in January 2019 after approval by the Board in November 2018.

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, 2019

Locations	Establishment							
	MGT	ES	PS	LP	SS	MS	Total	Temp
Head Office	**2**	**8**	**28**	**0**	**29**	**10**	**77**	**15**
Abidjan Regional Office		1	4	0	12	2	19	1
Addis Ababa Regional Office			1	0	1	1	3	
Cairo Regional Office		1	4	0	18	2	25	1
Casablanca Regional Office		1	4	0	10	3	18	
Lagos Regional Office		1	6	0	15	2	24	4
Mauritius Regional Office			3	0	10	4	17	
*Nairobi Regional Office		2	13	0	19	2	36	4
South Africa Subsidiary Office (ARCSA)		4	12	0	15	4	35	4
Total (Regional offices)		**10**	**47**	**0**	**100**	**20**	**177**	**14**
Grand Total (including Head Office)	**2**	**18**	**75**	**0**	**129**	**30**	**254**	**29**
Percentage %	0.79%	7.09%	29.52%	0.00%	50.79%	11.81%	100%	**NA**

**Includes Uganda*

Diversity

Africa Re encourages diversity and inclusiveness as it ensures equal employment opportunities to citizens of all member states across Africa.

The Corporation also promotes gender equality amongst its workforce.

Finally, wide geographical spread is also pursued in the process of recruitment without compromising on quality and merit as provided by Articles 3204 (1) and (2) of the Staff Regulations.

Table C: Gender Distribution of Staff

Location	Male	Female	Total
Abidjan Regional Office	6	13	19
Addis Ababa Regional Office	1	2	3
Cairo Regional Office and Africa Retakaful	11	14	25
Casablanca Regional Office	4	14	18
Head Office	18	59	77
Lagos Regional Office	10	14	24
Mauritius Regional Office	7	10	17
Nairobi Regional Office	14	22	36
African Reinsurance Corporation South Africa	17	18	35
Grand Total	**88**	**165**	**254**
Percentage %	**35%**	**65%**	**100%**

Compensation

The guiding principle for compensation and rewards is to be at least within the 75th percentile of the benchmarked remuneration of similar and acceptable reinsurance companies, financial institutions and multilateral development financial institutions. 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 ***Performance Perspectives***. The performance management system has now been automated using the Corporater software.

Compensation and Rewards were reviewed in 2019 to compensate for 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.

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 C: 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 is developing a risk management profile that would continue to ensure 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 control can only provide reasonable assurance with respect to the preparation of financial statements. The effectiveness of internal control may vary over time because of changes in circumstances.

The Board of Directors of the African Reinsurance Corporation has set up an Audit & Finance Committee and 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, Chief Risk Officer and technical inspectors 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.

HASSAN BOUBRIK
Chairman

CORNEILLE KAREKEZI
Group Managing Director / CEO

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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 2019, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

African Reinsurance Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement 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

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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 ($671.8 million) – See notes 3C, 3E, and 13	
The estimation of technical provisions involves a significant degree of judgement. 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). Management employs the services of an internal expert for the purposes of determining its actuarial liabilities. Management estimates Incurred but Not Reported (IBNR) reserve by applying a percentage to written premiums. Percentage applied varies by line of business. Provision for unearned premium is held in respect of the unexpired part of a policy which poses a risk. For all classes of business, the Corporation uses the following methods to calculate UPR: • For facultative and non-proportional treaty policies, UPR is calculated using the 365ths method. • For proportional treaty policies that are not part of the South Africa profit centre (ARCSA), UPR is set as 50% of the written premium.	We obtained the actuarial calculations for technical provisions from management and performed the following procedures: • assessed the competence of management's internal actuarial expert; • understood, evaluated and tested controls over the 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 expert. Using our internal actuarial experts, we assessed the reasonableness of the group's methodology as follows: (a) *IBNR reserve:* We obtained management's claims paid triangles which shows claims development history over a period of time. We performed an independent calculation to derive an estimate of IBNR reserve as follows: • For all classes of business, except Fire, we used Bornhuetter-Ferguson (BF) method for the recent underwriting years (post 2014) and Basic Chain Ladder (BCL) method for the more developed years (2014 and prior years); and • For 'Fire' class of business, the high cumulative development factor was distorting the BF method estimate of claims reserve. Based on the development observed in previous years, the Basic Chain Ladder (BCL) method was considered more appropriate for all the years.

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	(b) *Provision for unearned premium*: We performed independent calculations to: • assess the reasonableness of the 365th method used in determining UPR for facultative and non-proportional treaty policies; and • assess the reasonableness of the percentage used in determining UPR for proportional treaty policies. We assessed the financial statement disclosures for reasonableness.
Valuation of reinsurance receivables ($166.1 million) – See notes 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. Management performs periodic reconciliations with the existing cedants and considers the result 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; • reviewed the historical, current and post period end collection data used in determining the collectability of reinsurance receivables and developed a point estimate which was compared to management's valuation of the group's reinsurance receivables; and • evaluated the existing relationship between the company and selected cedants and assessed the financial condition of the cedants. We assessed the financial statement disclosures for reasonableness.

Other information

The directors are responsible for the other information. The other information comprises About Us, Mission, Value Proposition, Diversified Shareholding, Recent Recognition & Awards in 2019, Financial highlights, 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 for the 2019 Financial Year, Appropriation of Results, Capital management, Enterprise Risk Management, Corporate Governance, Compliance, Corporate Social Responsibility, Human Resources and Compensation and Management responsibility 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.

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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.

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.

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- 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 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

10 June 2020

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 2019

	Notes	2019 US$'000	2018 US$'000
Assets			
Cash and cash equivalents	25	303,298	338,512
Investments	4	961,947	826,609
Premium income receivable		59,353	60,821
Deferred acquisition costs	5	60,978	55,230
Reinsurance receivables	6	166,076	186,819
Retrocessionaires' share of technical provisions	7	139,508	114,832
Sundry receivables		22,180	8,301
Tax recoverable	23	2,478	2,311
Investment properties	8	13,735	6,987
Property and equipment	9	38,784	44,270
Intangible assets	10	2,643	3,374
Total assets		**1,770,980**	**1,648,066**
Liabilities			
Sundry payables	26	17,501	15,855
Dividend payable	24	5,157	6,925
Reinsurance payables	11	94,919	81,849
Deferred tax	12	177	217
Deferred retrocession commission		6,275	3,418
Technical provisions	13	671,753	622,755
Total liabilities		**795,782**	**731,019**
Shareholders' funds			
Retained earnings		234,174	208,147
Other reserves	14	239,056	209,291
Share premium		216,107	214,469
Share capital	15	285,861	285,140
Total shareholders' funds		**975,198**	**917,047**
Total liabilities and shareholders' equity		**1,770,980**	**1,648,066**

The financial statements on pages 55 to 102 were approved and authorised for issue by the Board of Directors of the Corporation on 16 May, 2020 and were signed on its behalf by:

HASSAN BOUBRIK
Chairman

CORNEILLE KAREKEZI
Group Managing Director / CEO

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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Gross earned premium	16	822,722	793,156
Less: retrocession premium	16	(149,382)	(119,602)
Net earned premium	**16**	**673,340**	**673,554**
Investment income	17	64,432	22,875
Commissions earned under retrocession arrangements		29,834	20,867
Other operating income	18	1,670	1,990
Total income		**769,276**	**719,286**
Net claims incurred	19	**(401,333)**	**(411,317)**
Acquisition expenses	20	(227,269)	(217,446)
Administrative expenses	21	(48,591)	(44,962)
Net foreign exchange gain/(loss)	22	9,758	(14,988)
Profit before income tax		**101,841**	**30,573**
(Income tax charge)/ Deferred taxation credit	23	(1,937)	696
Profit for the year		**99,904**	**31,269**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		(23,317)	(16,691)
Net fair value gain on revaluation of available-for-sale financial assets		2,329	4,816
Total other comprehensive (loss)/ income		**(20,988)**	**(11,875)**
Total comprehensive income for the year		**78,916**	**19,394**

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

Consolidated statement of changes in equity for the year ended 31 December 2019

	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 2019	**208,147**	**(145,301)**	**286,606**	**5,692**	**6,294**	**56,000**	**209,291**	**214,469**	**285,140**	**917,047**
Profit for the period	99,904									99,904
Other comprehensive income	-	(23,317)	-	2,329	-	-	(20,988)	-	-	20,988
	99,904	**(23,317)**	**-**	**2,329**	**-**	**-**	**(20,988)**	**-**	**-**	**78,916**
Issue of ordinary shares	-	-	-	-	-	-		1,638	721	2,359
Dividend declared for 2018 (Note 24)	(22,811)	-	-	-	-	-	-	-	-	(22,811)
Corporate social responsibility fund	(313)						-			(313)
Transfer to reserves	(50,752)	-	49,952	-	-	800	50,752	-	-	-
	(73,876)	**-**	**49,952**	**-**	**-**	**800**	**50,752**	**1,638**	**721**	**(20,765)**
At 31 December 2019	**234,175**	**(168,618)**	**336,558**	**8,021**	**6,294**	**56,800**	**239,055**	**216,107**	**285,861**	**975,198**
At 1 January 2018	**216,979**	**(128,610)**	**309,806**	**876**	**6,294**	**55,200**	**243,566**	**156,354**	**285,140**	**902,039**
Profit for the period	31,269	-	-	-	-	-	-	-	-	31,269
Other comprehensive income	-	(16,691)	-	4,816	-	-	(11,875)	-	-	(11,875)
	31,269	**(16,691)**	**-**	**4,816**	**-**	**-**	**(11,875)**	**-**	**-**	**19,394**
Buy back of ordinary shares	-	-	(38,834)				(38,834)	-	(24,420)	(63,254)
Issue of ordinary shares	-	-	-	-	-	-	-	58,115	24,420	82,535
Dividend declared for 2017	(22,787)	-	-	-	-	-	-	-	-	(22,787)
Corporate social responsibility fund	(880)	-	-	-	-	-	-	-	-	(880)
Transfer to reserves	(16,434)	-	15,634	-	-	800	16,434	-	-	-
	(40,101)	**-**	**(23,200)**	**-**	**-**	**800**	**(22,400)**	**58,115**	**-**	**(4,386)**
At 31 December 2018	**208,147**	**(145,301)**	**286,606**	**5,692**	**6,294**	**56,000**	**209,291**	**214,469**	**285,140**	**917,047**

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

Consolidated statement of cash flows for the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Cash generated from operations	25	84,056	16,359
Income tax paid	23	(2,148)	(1,830)
Net cash from operating activities		81,908	14,529
Cash flows from investing activities			
Purchase of investment property	8	-	(5)
Purchase of property and equipment	9	(3,321)	(13,365)
Refund of intangible assets		-	836
Purchase of intangible assets	10	-	(24)
(Purchase)/Sale of investments		(110,345)	23,683
Interest received net of management fees		35,139	37,449
Dividend received		4,541	6,024
Proceeds of disposal of property and equipment		74	5
Net cash (used in)/generated from investing activities		(73,912)	54,603
Cash flows from financing activities			
Proceeds from share subscription		2,358	82,535
Buy back of ordinary shares		-	(63,254)
Dividends paid	24	(24,579)	(23,627)
Net cash used in financing activities		(22,221)	(4,346)
Net (decrease)/increase in cash and cash equivalents		(14,225)	64,786
Movement in cash and cash equivalents:			
At start of year		338,512	285,601
Net (decrease)/increase in cash and cash equivalents		(14,225)	64,786
Net exchange losses on Cash and cash equivalents		(20,989)	(11,875)
At end of year	25(b)	**303,298**	**338,512**

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 2019

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

Standards	Effective date	
IFRS 16 Leases	1 January, 2019	IFRS 16 Leases, issued in January 2016 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. *The Corporation assessed all leases in which it is a lessee. Long-term leases are included in the appropriate class under Investment property and property, Plant and Equipment. All others are classified as short-term leases. Consequently, all lease payments under such arrangements are recognised as expenses on a straight-line basis over the lease term.*

Amendments		
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January, 2019	Long-term Interests in Associates and Joint Ventures, issued in October 2017, added paragraph 14A and deleted paragraph 41. According to paragraph 14A, an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. The amendments have no impact on financial position of the Corporation because it does not have Associates or Joint Ventures.
Annual Improvements to IFRS Standards 2015–2017 Cycle (Amendments to IFRS 3 and 11 and IAS 12 and 23)	1 January, 2019	Annual Improvements to IFRS Standards 2015–2017 Cycle, was issued in December 2017. The added amendment in IFRS 3 clarifies that, when obtaining control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at its acquisition-date fair value. Amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests. Amendments to IAS 12 require an entity to recognise the income tax consequences of dividends as defined in IFRS 9 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. IAS 23 amendment of paragraph 14 clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally. The amendments and interpretations are not expected to have a material impact on financial position of the Corporation.
Plan Amendment, Curtailment or Settlement (amendments to IAS 19)	1 January, 2019	Plan Amendment, Curtailment or Settlement amends IAS 19. It specifies how entities determine pension expenses when changes – an amendment, curtailment or settlement – to a defined benefit pension plan occur. IAS 19 Employee Benefits specifies how a company accounts for a defined benefit plan. When a change to a plan takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. There was no change in the employees' compensation benefits during the year.
IFRIC 23 Uncertainty over Income Tax Treatments	1 January, 2019	IFRIC 23 Uncertainty over Income Tax Treatments adds to the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes when it is unclear how tax law applies to a transaction or circumstance, or it is unclear whether a taxation authority will accept an entity's tax treatment. The Corporation is not aware of any tax treatment applied that may not be acceptable to the tax authority. *For its tax obligations through its wholly owned subsidiary in South Africa, Consultants are engaged in filing the returns and there has not been any major changes between the filing and approved tax obligation.*

ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2019 and future annual periods

New standards and Amendments to standards	Effective for annual periods beginning on or after
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Definition of a Business (Amendments to IFRS 3 Business Combinations)	1 January 2020
IFRS 17 Insurance Contracts	1 January 2023

Definition of Material (Amendments to IAS 1 and IAS 8)

Definition of Material (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 7 of IAS 1 and paragraph 5 of IAS 8, and deleted paragraph 6 of IAS 8. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

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

Definition of a Business (Amendments to IFRS 3 Business Combinations)

Definition of a Business, issued in October 2018, added paragraphs B7A–B7C, B8A and B12A–B12D, amended the definition of the term 'business' in Appendix A, amended paragraphs 3, B7–B9, B11 and B12 and deleted paragraph B10. An entity shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application of these amendments is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments and interpretations are not expected to have a material impact on 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 presently carrying out an impact assessment with a view to ascertaining the resources required to implement the new standard along with IFRS 9.

iii) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in 2019.

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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 remeasured 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.

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.

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.

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

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.

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 recognised as intangible assets. Computer software development costs recognised 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.

(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 the companies in the Group is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at cost less any accumulated 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.

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:

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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 remeasured 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 arrangement, 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.

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

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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.

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. The Corporation right-of-use assets are land. 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 are 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.

4 Investments

		2019 US$'000	2018 US$'000
i)	**Investments by category**		
	Held to maturity		
	Bank deposits	236,845	147,036
	Deposits with ceding companies	147,931	135,065
	Fixed rate securities held to maturity	264,442	234,287
	Floating rate securities at cost	34,515	67,306
		683,733	583,694
	Fair value through profit or loss		
	Fixed rate securities at fair value through profit or loss	142,857	124,260
	Quoted equity investments at fair value through profit or loss	81,654	69,416
		224,511	193,676
	Available for sale		
	Unquoted equity investments at fair value	53,703	49,239
		53,703	49,239
		961,947	**826,609**
	Comprising:		
	Current portion	381,648	293,584
	Non-current portion	580,299	533,025
		961,947	**826,609**

Fixed rate securities held to maturity are presented in the Group's statement of financial position at their amortized costs as at 31 December 2019 of US$264,441,880 (2018: US$234,287,041). The fair value of the Held to Maturity assets as at 31 December 2019 was US$266,405,549 (2018: US$ 223,467,378).

Unquoted equity investments are valued at fair value of US$ 53,702,632 (2018: US$ 49,239,040).

The cost value of the unquoted equity investments at 31 December 2019 is US$45,644.248 (2018: US$43,541,065)

The Group's overall commitment in unquoted private equity investments as at 31 December 2019 was US$ 55,090,155 (2018: US$ 52,602,161).

		2019 %	2018 %
ii)	**Weighted average effective interest rates**		
	Interest-bearing investments denominated in:		
	US dollars	5.68	1.57
	Euro	0.01	0.54
	South African rand	8.11	3.79

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).

	31/12/2019			
	Level 1	Level 2	Level 3	**Total**
	US$'000	US$'000	US$'000	**US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	224,511	-	-	**224,511**
Available-for-sale financial assets				
Unquoted shares	-	-	53,703	**53,703**
Total	**224,511**	**-**	**53,703**	**278,214**

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

	31/12/2018			
	Level 1	Level 2	Level 3	**Total**
	US$'000	US$'000	US$'000	**US$'000**
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	193,676	-	-	193,676
Available-for-sale financial assets				
Unquoted shares	-	-	49,239	**49,239**
Total	**193,676**	**-**	**49,239**	**242,915**

		2019	**2018**
5	**Deferred Acquisition Costs**	**US $'000**	**US $'000**
	At 1 January	55,230	53,592
	Exchange gain/(loss) on opening balance	82	(4)
		55,312	53,588
	Paid during the year	232,935	219,088
	Incurred during the year (Note 20)	(227,269)	(217,446)
	At 31 December	**60,978**	**55,230**
	Comprising:		
	Current portion	59,573	53,843
	Non-current portion	1,405	1,387
		60,978	**55,230**
6	**Reinsurance receivables**		
	Gross receivables arising from reinsurance arrangements	212,326	225,658
	Provision for impairment	(46,250)	(38,839)
		166,076	**186,819**
	Comprising:		
	Current portion	59,592	69,427
	Non-current portion	106,484	117,392
		166,076	**186,819**
7	**Retrocessionnaires share of technical provisions**		
	Claims recoverable	104,606	93,687
	Deferred retrocession premiums	34,902	21,145
		139,508	**114,832**
	Comprising:		
	Current portion	55,722	33,914
	Non-current portion	83,786	80,918
		139,508	**114,832**
	Claims Recoverable		
	At 1 January	93,687	75,900
	Recovered during the year	(73,242)	(31,988)
	Share of loss incurred during the year (Note 19)	84,161	49,775
	At 31 December	**104,606**	**93,687**
	Deferred retrocession premiums		
	At 1 January	21,145	24,666
	Retrocession premium paid during the year	163,139	116,081
	Retrocession premium utilised during the year (Note 16)	(149,382)	(119,602)
	At 31 December	**34,902**	**21,145**

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8 Investment properties

	2019 US $'000	2018 US $'000
Cost		
At 1 January	9,619	9,614
Transfer from buildings	(1,063)	-
Additions	7,707	5
At 31 December	16,263	9,619
Depreciation		
At 1 January	2,632	2,466
Transfer from buildings	(365)	-
Charge for the year	261	166
At 31 December	2,528	2,632
Net book value	**13,735**	**6,987**

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

	2019 US $'000	2018 US $'000
Net rental income (Note 17)	**1,503**	**1,480**

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 and Casablanca.

At 18 December 2017, the market value of the headquarters building was estimated at US$ 24.36 million (net book value: US$ 6.24 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

The two Residential buildings in Lagos were completed during the year at a total cost of US$7.71 million.

At 31 December 2019, the market value of the Casablanca regional office building was estimated at US$ 10.36 million (net book value: US$ 3.44 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: US$ 1. 786 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

Details of the group's investment properties and information about the fair value hierarchy as at 31 December 2019 as follows:

	Level 1 US $'000	Level 2 US $'000	Level 3 US $'000	Fair value as at 31/12/2019 US $'000
Headquarters building	-	24,362	-	24,362
Residential Buildings in Lagos		7,729		7,729
Casablanca regional office building	-	10,362	-	10,362
Nairobi regional office building	-	8,481	-	8,481

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

	Level 1 US $'000	Level 2 US $'000	Level 3 US $'000	Fair value as at 31/12/2018 US $'000
Headquarters building	-	24,362	-	24,362
Casablanca regional office building	-	11,903	-	11,903
Nairobi regional office building	-	8,194	-	8,194

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

9. Property and equipment

	Assets under construction	Buildings & freehold Land	Fittings & equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2019:					
Cost					
At 1 January	**21,748**	**22,244**	**15,763**	**1,766**	**61,521**
Additions	2,492		677	152	**3,321**
Disposals	-	-	(67)	(224)	**(291)**
Transfer to Investment Property	(7,707)	-		-	**(7,707)**
Transfer from Investment Property		1,063	-	-	**1,063**
	16,533	**23,307**	**16,373**	**1,694**	**57,907**
Depreciation					
At 1 January	**-**	**3,983**	**11,968**	**1,300**	**17,251**
Depreciation charge	-	251	1,371	174	**1,796**
Disposals			(65)	(224)	**(289)**
Transfer from Investment Property	-	365	-	-	**365**
At 31 December	**-**	**4,599**	**13,274**	**1,250**	**19,123**
Net Book Value	**16,533**	**18,708**	**3,099**	**444**	**38,784**
Year ended 31 December 2018:					
Cost					
At 1 January	**9,562**	**22,227**	**14,712**	**1,459**	**47,960**
Additions	12,459	17	570	319	**13,365**
Disposals	-	-	(169)	(12)	**(181)**
Transfer from assets under construction	(650)	-	650	-	**-**
Transfer from Investment property	377	-	-	-	**377**
At 31 December	**21,748**	**22,244**	**15,763**	**1,766**	**61,521**
Depreciation					
At 1 January	**-**	**3,556**	**11,026**	**1,158**	**15,740**
Depreciation charge	-	427	1,101	154	**1,682**
Disposals	-	**-**	(159)	(12)	**(171)**
At 31 December	**-**	**3,983**	**11,968**	**1,300**	**17,251**
Net Book Value	**21,748**	**18,261**	**3,795**	**466**	**44,270**

Included in buildings and freehold land is a total amount of US$ 5,318,862 (2018: US$4,769,957) representing the carrying amount of the owner-occupied proportion of the Corporation's headquarters building in Lagos and regional office buildings in Nairobi and Casablanca. The assets under construction represent fixed assets in progress.

Included above are assets with a total cost of US$10,346,719 (2018: US$8,558,985) which were fully depreciated as at 31 December 2019. The normal depreciation charge on these assets would have been US$1,937,406 (2018: US$1,453,391).

10. Intangible Assets

	Computer Software	Computer Software in progress	Total
	US $'000	US $'000	US $'000
Year ended 31 December 2019:			
Cost			
At 1 January	4,621	1,964	**6,585**
Additions	-	-	**-**
At 31 December	**4,621**	**1,964**	**6,585**
Amortisation			
At 1 January	3,211	-	**3,211**
Charge for the year	731	-	**731**
At 31 December	**3,942**	**-**	**3,942**
Net book value	**679**	**1,964**	**2,643**

	Computer Software	Computer Software in progress	Total
	US $'000	US $'000	US $'000
Year ended 31 December 2018:			
Cost			
At 1 January	4,597	3,177	**7,774**
Additions	24	-	**24**
Transfers from Property and Equipment		(377)	**(377)**
Recovered project costs in progress	-	(836)	**(836)**
At 31 December	**4,621**	**1,964**	**6,585**
Amortisation			
At 1 January	2,404	-	**2,404**
Charge for the year	807	-	**807**
At 31 December	**3,211**	**-**	**3,211**
Net book value	**1,410**	**1,964**	**3,374**

Included above are assets with a total cost of US$1,387,823 (2018: US$971,303) which were fully amortised as at 31 December 2019.

11 Reinsurance payables

	2019 US$'000	2018 US$'000
Payables under reinsurance arrangements	56,548	47,039
Payables under retrocession arrangements	38,371	34,810
	94,919	**81,849**
Comprising:		
- current portion	39,275	43,460
- non-current portion	55,644	38,489
	94,919	**81,849**

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:

	2019 US$'000	2018 US$'000
At 1 January	217	1,441
Exchange rate impact on opening balance	4	(206)
Reclassification to income tax payable	-	44
Credit to profit or loss (Note 23)	(44)	(1,062)
At 31 December	**177**	**217**

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

	01.01.19 US $'000	Charged to P/L US $'000	31.12.19 US $'000	31.12.18 US $'000
Excess depreciation over capital allowances	(98)	-	(98)	(96)
Unrealised gain on revaluation of investments	777	(27)	750	761
Accumulated losses	(292)	(17)	(309)	(286)
Exchange rate impact on opening balance	(211)	-	(211)	(206)
Reclassified to income tax payable	45	-	45	44
Net deferred tax liability	**221**	**(44)**	**177**	**217**

13 Technical provisions

i) Analysis of outstanding balances

	2019 US$'000	2018 US$'000
Provision for reported claims	437,298	420,158
Provision for claims incurred but not reported (IBNR)	91,020	81,532
Total provision for claims and IBNR	528,318	501,690
Cumulative translation reserve	(91,310)	(91,310)
Total outstanding claims	437,008	410,380
Provision for unearned premiums	234,745	212,375
	671,753	**622,755**
Comprising:		
- current portion	378,191	361,175
- non-current portion	293,562	261,580
	671,753	**622,755**

ii) Provision for reported claims and IBNR

	2019	2018
At 1 January	410,380	421,718
Exchange gain/(loss) on opening balance	2,255	(17,159)
	412,634	404,559
Paid during the year	(461,121)	(455,271)
Incurred during the year (Note 19)	485,494)	461,092
At 31 December	**437,008**	**410,380**

iii) Provision for unearned premium

	2019	2018
At 1 January	212,375	210,581
Exchange gain/(loss) on opening balance	307	(2,465)
	212,682	208,116
Paid during the year	844,785	797,415
Incurred during the year (Note 16)	(822,722)	(793,156)
At 31 December	**234,745**	**212,375**

ii) Analysis of outstanding claims reserve development per underwriting year

U/W YR	2009 US$'000	2010 US$'000	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
Gross technical provision	**209,347**	**261,164**	**273,011**	**332,025**	**320,708**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**	**378,240**
Gross paid (Cumulative):											
1 year later	116,271	107,963	91,909	108,649	126,366	122,505	119,797	139,091	180,724	160,688	-
2 years later	152,433	163,498	153,569	154,306	175,595	170,088	192,806	246,051	258,461	-	-
3 years later	169,968	182,869	173,006	167,714	193,265	187,405	222,112	284,942	-	-	-
4 years later	189,701	194,440	182,094	177,689	198,759	199,248	255,785	-	-	-	-
5 years later	193,590	200,507	187,794	183,105	210,064	207,086	-	-	-	-	-
6 years later	198,142	203,127	191,343	187,456	214,611	-	-	-	-	-	-
7 years later	200,213	207,117	194,321	219,441	-	-	-	-	-	-	-
8 years later	202,738	211,642	196,617	-	-	-	-	-	-	-	-
9 years later	204,583	213,670	-	-	-	-	-	-	-	-	-
10 years later	205,669	-	-	-	-	-	-	-	-	-	-
Re-estimated as of: UWYEAR	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Closed year	**209,347**	**261,164**	**273,011**	**332,025**	**320,708**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**	**378,240**
1 year later	203,417	205,401	212,347	216,229	208,458	202,141	220,067	215,347	333,495	263,340	-
2 years later	192,482	224,140	211,157	218,241	209,562	207,895	220,330	266,126	358,229	-	-
3 years later	192,446	224,929	211,533	217,345	205,796	210,040	218,945	352,974	-	-	-
4 years later	191,527	222,622	211,983	218,897	204,066	228,995	284,336	-	-	-	-
5 years later	190,083	221,348	212,662	221,573	203,567	223,315	-	-	-	-	-
6 years later	189,634	220,850	213,708	203,403	229,479	-	-	-	-	-	-
7 years later	189,610	220,591	221,659	231,458	-	-	-	-	-	-	-
8 years later	188,761	212,730	203,517	-	-	-	-	-	-	-	-
9 years later	218,349	222,418	-	-	-	-	-	-	-	-	-
10 years later	211,747	-	-	-	-	-	-	-	-	-	-
Gross redundancy/ (deficiency)	**(2,400)**	**38,746**	**69,494**	**100,567**	**91,229**	**154,136**	**32,504**	**(44,197)**	**3,814**	**97,835**	

14 Other reserves

	2019 US$'000	2018 US$'000
General reserve	336,558	286,606
Reserve for exchange fluctuation	6,294	6,294
Reserve for loss fluctuation	56,800	56,000
Reserve for market value adjustment	8,021	5,692
Translation reserve	(168,618)	(145,301)
	239,055	**209,291**

(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 38.

15 Share capital

	2019 Number	2018 Number
Authorised share capital	**5,000,000**	**5,000,000**
Issued and fully paid	**2,858,611**	**2,851,405**
	US$'000	**US$'000**
Issued and fully paid at 31 December	285,861	285,140
Par value per share	**$100**	**$100**

The movement in issued and fully paid share capital is as below:	2019 US$ '000'	2018 US$ '000'
At 1 January	285,140	285,140
Buy back of ordinary shares	-	24,420
Issue of ordinary shares	721	(24,420)
At end of year	**285,861**	**285,140**

The shares issued during the year were issued at a premium of US$1.639 million (2018: US$58,115 million).

16 Earned premium

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

	2019			2018		
	Gross US$'000	Retrocession US$'000	Net US$'000	Gross US$'000	Retrocession US$'000	Net US$'000
Fire and accident	715,585	(132,629)	582,956	633,120	(67,453)	565,667
Marine and aviation	51,877	(11,309)	40,568	106,893	(48,131)	58,762
Life	55,260	(5,444)	49,816	53,143	(4,018)	49,125
	822,722	**(149,382)**	**673,340**	**793,156**	**(119,602)**	**673,554**

17 Investment income

	2019 US$000	2018 US$000
Held to maturity		
Interest income from bank deposits	22,999	18,733
Interest income from deposits with ceding companies	2,154	2,100
Interest income from fixed rate securities HTM	6,736	6,955
Interest income from Floating rate Notes	86	1,098
	31,975	**28,886**
Fair value through profit or loss		
Interest income from fixed rate securities at fair value through profit or loss	7,509	8,907
Dividend from quoted equity investments at fair value through profit or loss	3,067	4,754
Fair value gains/(losses) from quoted equity investments	6,023	(27,645)
Fair value gains/(losses)from listed bonds	2,526	(649)
	19,125	**(14,633)**
Available for sale		
Dividend from unquoted equity investments at fair value	**1,474**	**1,270**
Rental Income	1,503	1,480
Realized gains on equity portfolios	7,387	10,553
Realized losses on bond portfolios	4,028	(3,050)
Management fees from equity portfolio	(513)	(748)
Management fees from bond portfolios	(547)	(883)
	11,858	**7,352**
Total	**64,432**	**22,875**

18 Other operating income

Fee income	1,535	1,955
Gain/(loss)/ on disposal of property and equipment	74	(5)
Sundry income	61	40
	1,670	**1,990**

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

	2019			2018		
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	435,624	(77,741)	357,883	395,918	(43,710)	352,208
Marine and aviation	24,066	(4,683)	19,383	38,875	(5,837)	33,038
Life	25,804	(1,737)	24,067	26,299	(228)	26,071
	485,494	**(84,161)**	**401,333**	**461,092**	**(49,775)**	**411,317**

20 Acquisition costs

	2019 US $'000	2018 US $'000
Commission paid	207,847	193,907
Charges paid	25,087	25,180
Movement in deferred acquisition cost	(5,665)	(1,641)
	227,269	**217,446**

21 Administrative expenses

Staff costs	25,396	24,021
Auditors' remuneration	275	254
Depreciation on property and equipment	1,796	1,682
Depreciation on investment property	260	166
Amortisation of intangible assets	731	807
Impairment charge on reinsurance receivables	9,268	7,770
Assets impairment recovered	-	(1,250)
Rent Expenses	309	404
Repairs and maintenance expenditure	757	931
Consultancy fees	1,008	1,012
Travel costs and allowances	759	794
General Assembly and Board of Directors' meetings	1,550	1,649
Electricity and water	563	674
Insurance	801	578
Communication expenses	354	314
Advertisement and entertainment	720	792
Training and subscriptions	209	290
Technical assistance	274	245
Medical expenses	613	559
Computer and word processing	1,779	2,397
Transport and maintenance	120	127
Bank charges and other fees	449	342
Office expenses	236	230
Legal expenses	327	138
Donations	37	36
	48,591	**44,962**

Staff costs include retirement benefit costs amounting to 2019: US$ 2,871,529.58 (2018: US$2,547,415).

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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.

	2019 US$'000	2018 US$'000
Net foreign exchange gain/(loss)	**9,758**	**(14,988)**

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:

	2019 US$'000	2018 US$'000
Current income tax charge	1,981	366
Deferred income tax credit (Note 12)	(44)	(1,062)
	1,937	**(696)**

The movement in the tax recoverable account is as follows:

	2019 US$'000	2018 US$'000
At 1 January	2,311	847
Current tax charge for the year	(1,981)	(366)
Tax paid	2,148	1,830
At December	**2,478**	**2,311**

Tax rate reconciliation	**%**	**%**
Effective tax rate	26	27
Exempt income	1	(16)
Disallowed expenses	-	2
Capital gains tax	1	16
Overprovision prior years	-	-
Other	-	-
South African standard corporate tax rate	28	28

24 Dividends

At the Annual General Meeting (AGM) to be held on 20 June 2020, a final dividend in respect of the year ended 31 December 2019 of US$ 8.80 per share on 2,851,405 existing shares amounting to a total of US$ 25,155,777 (2018: US$ 22,787,240) is to be proposed. The dividend declared at the AGM held on 17 June 2019 was charged to shareholders' equity in this financial statements. The liability for the dividend payable on the 2019 results shall be treated as an appropriation of profit in the financial statements for the year ending 31 December 2020.

The movement in the dividends payable account is as follows:

	2019 US$ '000	2018 US$ '000
At 1 January	6,925	7,765
Final dividends declared	22,811	22,787
Dividends paid	(24,579)	(23,627)
At 31 December	**5,157**	**6,925**

25 Notes to the statement of cash flows

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

	Notes	2019 US$'000	2018 US$'000
Profit before income tax		101,841	30,573
Adjustments for:			
Investment income net of management fees		(66,102)	(24,865)
Depreciation on investment property	8	260	166
Depreciation on property and equipment	9	1,796	1,682
Amortisation of intangible assets	10	731	807
Gain on disposal of property and equipment		72	5
Working capital changes;			
- Premium income receivable		1,469	(647)
- Deferred acquisition costs		(2,891)	(1,674)
- Reinsurance receivables		20,742	21,011
- Retrocessionaires' share of technical provisions		(24,676)	(14,266)
- Sundry receivables		(12,376)	1,450
- Reclassification of deferred tax liability		-	44
- Sundry payables		1,333	(1,753)
- Exchange difference on deferred tax opening balance	12	(211)	(206)
- Reinsurance payables		13,070	13,576
- Technical provisions		48,998	(9,544)
Cash generated from operations		**84,056**	**16,359**

b) Cash and cash equivalents

	2019 US$'000	2018 US$'000
Cash and bank balances	129,992	174,730
Bank deposits with financial institutions maturing within 90 days	173,306	163,782
Cash and cash equivalents	**303,298**	**338,512**

26 Sundry Payable

	Notes	2019 US$'000	2018 US$'000
Short term employee benefits		2,043	2,758
Accrued Expenses		983	911
Deferred rental income		493	107
Tenants current account		1,026	349
Other payable		3,781	3,720
Long term employee befits		9,175	8,010
		17,501	**15,855**
Comprising:			
- current portion		6,710	5,283
- non-current portion		10,791	10,572
		17,501	**15,855**

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 recognised as expenses.

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

The Trust fund 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.

	2019 US$ '000	2018 US$ '000
ii) Administration of Staff Provident fund Contributions paid	969	965
iii) Remuneration for key management personnel		
Directors' fees (non-executive directors)	731	753
Other remuneration (elected members of management)		
- Salaries and other short term benefits	1,309	1,523
- Terminal benefits	217	169
iv) Administration of Africa Re Corporate Social Responsibility Trust fund		
Funds allocated to the trust fund	313	880

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 and Enterprise Risk Management, 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.

The Corporation enters into retrocession arrangements with reputable retrocessionaires 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 retrocessionaires 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 2019 **Class of business**	**Gross exposure US$' 000**	**Net exposure US$' 000**
Property risk excess of loss	100,000	15,000
Property catastrophe excess of loss	150,000	25,000
Marine & Energy excess of loss	60,000	10,000
Aviation excess of loss	12,000	3,000

In 2019, the Corporation included additional protection on aggregate policies as follows:

	Annual Aggregate Deductible	**Annual aggregate Limit**
Non-Marine Aggregate	25,000,	25,000
Marine & Energy Aggregate	10,000	10,000

31 December 2018 **Class of business**	**Gross exposure US$' 000**	**Net exposure US$' 000**
Property risk excess of loss	100,000	15,000
Property catastrophe excess of loss	200,000	25,000
Marine & Energy excess of loss	60,000	15,000
Aviation excess of loss	12,000	3,000

28 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 a number of them to avoid undue concentration. The Corporation's financial regulations prescribe minimum acceptable credit rating and maximum allowable exposure to any single counter-party.

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	
	Group 2019 US$000	Group 2018 US$000
Cash and cash equivalents	303,299	338,512
Investments	826,590	707,954
Reinsurance receivables	166,076	186,819
Sundry receivables	22,180	8,301
Total assets bearing credit risk	**1,318,145**	**1,241,586**

Credit quality of financial assets per asset class-Group

At 31 December 2019:

	Cash & Cash equivalents	Investments	Reinsurance receivables	Sundry receivables
	US $'000	US $'000	US $'000	US $'000
Neither past due nor impaired	303,299	826,590	105,705	22,180
Past due but not impaired			60,371	
Impaired			46,250	
Gross	303,299	826,590	212,326	22,180
Impairment allowance - collective			46,250	
Net	**303,299**	**826,590**	**166,076**	**22,180**

At 31 December 2018:

	Cash & Cash equivalents	Investments	Reinsurance receivables	Sundry receivables
	US $'000	US $'000	US $'000	US $'000
Neither past due nor impaired	338,512	707,954	123,410	8,301
Past due but not impaired			63,409	
Impaired			38,839	
Gross	338,512	707,954	225,658	8,301
Impairment allowance - collective			38,839	
Net	**338,512**	**707,954**	**123,410**	**8,301**

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 & Poors (S&P) rating (or equivalent when not available from S&P)

At 31 December 2019:

	AAA	AA	A	BBB	Below BBB	Not rated
	US$000	US$000	US$000	US$000	US$000	US$000
Cash & cash equivalents	-	-	153,908	49,939	99,402	49
Investments	23,758	133,235	158,688	93,447	415,168	2,294
Reinsurance receivables	-	-	-	-	166,076	-
Sundry receivables	-	-	-	-	-	22,180
	23,758	**133,235**	**312,596**	**143,386**	**680,646**	**24,523**

At 31 December 2018:

	AAA	AA	A	BBB	Below BBB	Not rated
	US$000	US$000	US$000	US$000	US$000	US$000
Cash & cash equivalents	-	-	126,986	53,233	158,231	62
Investments	31,868	132,210	159,364	100,360	275,180	8,972
Reinsurance receivables	-	-	-	-	186,819	-
Sundry receivables	-	-	-	-	-	8,301
	31,868	**132,210**	**286,350**	**153,593**	**620,230**	**17,335**

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 2018 to the earlier of the repricing or contractual maturity date.

28 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 2019 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	303,298	-	-	-	-	-	**303,298**
Reinsurance premiums receivables	59,592	46,113	27,392	21,185	11,794	-	**166,076**
Claims recoverable	22,546	10,210	41,383	21,293	3,227	5,947	**104,606**
Deferred retrocession premiums	33,176	1,599	92	2	33	-	**34,902**
	418,612	**57,922**	**68,867**	**42,480**	**15,054**	**5,947**	**608,882**
Investments							
Bank deposits	236,845	-	-	-	-	-	**236,845**
Deposits with ceding companies	17,011	36,008	19,135	5,228	8,540	62,009	**147,931**
Fixed rate securities at fair value	31,724	16,084	7,685	8,249	9,415	69,700	**142,857**
Fixed rate securities at amortized cost	14,414	24,386	22,116	38,176	26,231	139,119	**264,442**
Floating rate securities at cost	-	-	-	-	6,000	28,515	**34,515**
Equity investments at fair value	81,654	-	-	-	-	-	**81,654**
Unquoted equity investments at fair value	-	-	-	-	-	53,703	**53,703**
Total investments	**381,648**	**76,478**	**48,936**	**51,653**	**50,186**	**353,046**	**961,947**
Total assets	**800,260**	**134,400**	**117,803**	**94,133**	**65,240**	**358,993**	**1,570,829**
FINANCIAL LIABILITIES							
Sundry payables	6,710	1,942	1,187	2,822	3,884	956	**17,501**
Dividend payable	1,783	1,802	547	263	133	629	**5,157**
Reinsurance payables	39,275	29,036	10,913	27,982	(12,287)	-	**94,919**
Outstanding claims	71,502	92,945	92,099	65,373	29,602	85,487	**437,008**
Total liabilities	**119,270**	**125,725**	**104,746**	**96,440**	**21,332**	**87,072**	**554,585**

28 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 2018 (IN US$'000) FINANCIAL ASSETS							
Cash and cash equivalents	338,512	-	-	-	-	-	**338,512**
Reinsurance premiums receivables	69,427	53,983	39,609	18,836	4,964	-	**186,819**
Claims recoverable	13,307	39,731	17,818	13,926	1,456	7,449	**93,687**
Deferred retrocession premiums	20,607	434	10	4	76	14	**21,145**
	441,853	**94,148**	**57,437**	**32,766**	**6,496**	**7,463**	**640,163**
Investments							
Bank deposits	147,036	-	-	-	-	-	**147,036**
Deposits with ceding companies	11,747	36,175	8,832	9,879	7,830	60,602	**135,065**
Fixed rate securities at fair value	33,980	12,924	15,856	11,591	9,832	40,077	**124,260**
Fixed rate securities at amortized cost	11,417	13,387	44,644	22,639	27,639	114,838	**234,287**
Floating rate securities at cost	19,988	21,377	-	612	-	25,329	**67,306**
Equity investments at fair value	69,416	-	-	-	-	-	**69,416**
Unquoted equity investments at fair value	-	-	-	-	-	49,239	**49,239**
Total investments	**293,584**	**83,863**	**69,332**	**44,721**	**45,024**	**290,085**	**826,609**
Total	**735,437**	**178,011**	**126,769**	**77,487**	**51,520**	**297,548**	**1,466,772**
FINANCIAL LIABILITIES							
Sundry payables	5,283	1,362	3,219	3,138	2,853	-	**15,855**
Dividend payable	3,604	1,983	478	231	36	593	**6,925**
Reinsurance payables	43,360	28,611	15,751	(11,627)	5,754		**81,849**
Outstanding claims	153,962	104,025	91,695	44,440	16,258	-	**410,380**
Total	**206,209**	**135,981**	**111,143**	**36,182**	**24,901**	**593**	**515,009**

28 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 income 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.

	2019 US$000	2018 US$000
Interest rate sensitivity	100 bps parallel increase	100 bps parallel decrease
2019	6,571	(6,571)
2018	5,592	(5,592)

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.

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, South African rand, Kenyan shilling and Nigerian naira. However, the Corporation's primary exposure is to the South African rand. 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 73 and 74 show the various currencies in which the group's assets and liabilities were denominated as at 31 December 2019 and 2018. The non-US dollar balances reflect the significant foreign currency exposures.

Currency sensitivity analysis	10% depreciation against the **US$000**	10% appreciation against the **US$000**
2019	(29,942)	29,942
2018	(38,130)	38,130

28 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2019: (in US$'000)	USD	SA Rand	UK P	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	197,591	20,828	9,366	22,913	8,233	8,921	13,667	3,278	956	17,545	**303,298**
Reinsurance receivables	10,942	4,310	56	22,377	2,043	2,610	2,290	18,197	2,684	100,567	**166,076**
Claims recoverable	80,394	2,478	22	15,468	998	567	1,102	442	18	3,117	**104,606**
Deferred retrocession premium	23,307	920	-	3,958	66	185	2,798	1,607	-	2,061	**34,902**
	312,234	**28,536**	**9,444**	**64,716**	**11,340**	**12,283**	**19,857**	**23,524**	**3,658**	**123,290**	**608,882**
Investments:											
Bank deposits	106,002	64,344	5,849	263	-	-	2,257	13,095	3,761	41,274	**236,845**
Deposits with ceding companies	14,667	1,224	739	51,892	39,026	6,657	5	300	(162)	33,583	**147,931**
Fixed rate securities at fair value	93,086	38,615	-	-	-	-	6,106	5,050	-	-	**142,857**
Fixed rate securities at amortised cost	212,114	31,366	3,733	15,617	-	1,612	-	-	-	-	**264,442**
Floating rate securities at cost	34,515	-	-	-	-	-	-	-	-	-	**34,515**
Equity investments at fair value	69,161	8,647	-	-	-	-	1,846	2,000	-	-	**81,654**
Unquoted equity investments at fair value	52,252	-	-	-20	-	-	1,471	-	-	-	**53,703**
Total Investments	**581,797**	**144,196**	**10,321**	**67,752**	**39,026**	**8,269**	**11,685**	**20,445**	**3,599**	**74,857**	**961,947**
Total Assets	**894,031**	**172,732**	**19,765**	**132,468**	**50,366**	**20,552**	**31,542**	**43,969**	**7,257**	**198,147**	**1,570,829**
LIABILITIES											
Sundry payables	12,345	927	(19)	101	692	401	1,342	1,539	173	-	**17,501**
Dividend payable	5,157	-	-	-	-	-	-	-	-	-	**5,157**
Reinsurance payables	26,017	5,724	(2,425)	22,811	(5,892)	(164)	6,214	4,295	(49)	38,388	**94,919**
Outstanding claims	133,689	101,306	2,882	71,378	42,879	10,531	5,523	23,825	9,153	35,842	**437,008**
Total liabilities	**177,208**	**107,957**	**438**	**94,290**	**37,679**	**10,768**	**13,079**	**29,659**	**9,277**	**74,230**	**554,585**
NET POSITION	**716,823**	**64,775**	**19,327**	**38,178**	**12,687**	**9,784**	**18,463**	**14,310**	**-2,020**	**123,917**	**1,016,244**

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

28 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2018: (in US$'000)	USD	SA Rand	UK P	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	142,696	42,127	9,162	41,498	5,137	10,124	20,249	5,990	4,183	57,346	**338,512**
Reinsurance receivables	42,538	7,439	1,556	22,659	17,037	5,424	8,854	21,157	4,731	55,424	**186,819**
Claims recoverable	50,635	82	11	38,963	497	140	478	18	23	2,840	**93,687**
Deferred retrocession premium	14,703	111	-	4,035	23	136	68	42	24	2,003	**21,145**
	250,572	**49,759**	**10,729**	**107,155**	**22,694**	**15,824**	**29,649**	**27,207**	**8,961**	**117,613**	**640,163**
Investments:											
Bank deposits	41,119	60,698	1,283	5,239	-	-	2,079	-	-	36,618	**147,036**
Deposits with ceding companies	17,217	335	566	52,414	29,323	4,586	6	299	(187)	30,506	**135,065**
Fixed rate securities at fair value	81,614	26,197	-	-	-	-	12,653	3,796	-	-	**124,260**
Fixed rate securities at amortised cost	191,002	28,529		4,479	-	-	-	1,126	-	-	**169,432**
Floating rate securities at cost	3,247		339	-	-	-	-	-	-	-	**47,371**
Redeemable notes	11,509	-	-	-	-	-	-	234,287	-	-	**142,244**
Equity investments at fair value	66,987	-	319	-	-	-	-	-	-	-	**67,306**
Unquoted equity investments at fair value	41,758	9,427	-	15,303	-	-	2,316	612	-	-	**69,416**
Total Investments	**486,619**	**125,186**	**5,415**	**85,492**	**29,323**	**4,586**	**18,344**	**4,707**	**(187)**	**67,124**	**826,609**
Total Assets	**737,191**	**174,945**	**16,144**	**192,647**	**52,017**	**20,410**	**47,993**	**31,914**	**8,774**	**184,737**	**1,466,772**
LIABILITIES											
Sundry payables	11,844	751	(18)	91	367	413	1,339	789	231	48	**15,855**
Dividend payable	6,925	-	-	-	-	-	-	-	-	-	**6,925**
Reinsurance payables	26,859	7,160	(1,745)	21,867	(6,492)	522	(1,024)	2,628	(44)	32,118	**81,849**
Outstanding claims	121,603	102,726	2,540	74,751	40,200	7,609	10,448	23,147	8,519	18,837	**410,380**
Total liabilities	**167,231**	**110,637**	**777**	**96,709**	**34,075**	**8,544**	**10,763**	**26,564**	**8,706**	**51,003**	**515,009**
NET POSITION	**569,960**	**64,308**	**15,367**	**95,938**	**17,942**	**11,866**	**37,230**	**5,350**	**68**	**133,734**	**951,763**

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

29 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	2019 US$ '000	2018 US$ '000
African Reinsurance Corporation (South Africa) Limited	Reinsurance services	*	100%	*	*
African Takaful Reinsurance Company	Reinsurance services	12,000	100%	12,000	12,000
Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited	Property holding	*	100%	*	*

** 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 $ 6,820,857 during the year ended 31 December 2019 (2018: loss of US $ 5,919,896). 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.

African Reinsurance Corporation (South Africa) Limited

Summarised statement of financial position	2019 US $'000	2018 US $'000
Total assets	291,073	298,760
Total liabilities	(233,246)	(247,691)
Net assets	57,827	51,069

Summarised statement of profit or loss and other comprehensive income		
Net earned premium	47,514	58,975
Profit/(Loss) before income tax	6,821	(6,656)
(Income tax expense)/Deferred tax credit	(1,900)	737
Other comprehensive income	-	-
Total comprehensive income/(loss)	4,921	(5,919)

Summarised statement of cash flows		
Net cash used in operating activities	(10,754)	(19,118)
Net cash generated from investing activities	11,179	16,258
Net increase/(decrease)/ in cash and cash equivalents	416	(2,860)
Net gain/(loss) on liquid assets	11	(556)
Cash and cash equivalents at beginning of year	485	3,901
Cash and cash equivalents at end of year	912	485

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 profit of US$1,755,005 during the year ended 31 December 2019 (December 2018: US $ 3,956,145). 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.

African Takaful Reinsurance Company Limited (Continued)

Summarised statement of financial position	2019 US $'000	2018 US $'000
Total assets	92,203	80,268
Total liabilities	(94,175)	(84,645)
Net assets	**(1,972)**	**(4,377)**
Summarised statement of profit or loss and other comprehensive income		
Net earned premium	51,935	46,966
Profit before income tax	1,755	3,956
Other comprehensive income	-	-
Total comprehensive income	1,755	3,956
Summarised statement of cash flows		
Net cash generated from operating activities	816	7,613
Net cash from investing activities	2,047	2,416
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	2,863	10,029
Net loss on liquid assets	(1,246)	(4,810)
Cash and cash equivalents at beginning of year	43,423	38,204
Cash and cash equivalents at end of year	**45,040**	**43,423**

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 made a profit of US $ 77,198 during the year ended 31 December 2019 (2018: US $ 86,147). 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.

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited (Continued)

Summarised statement of financial position	2019 US $'000	2018 US $'000
Total assets	3,154	3,039
Total liabilities	(477)	(244)
Net assets	**2,677**	**2,795**
Summarised statement of profit and loss and other comprehensive income		
Net Income	159	172
Profit before income tax	114	127
Income tax expense	(37)	(41)
Other comprehensive income	-	-
Total comprehensive income	**77**	**86**
Summarised statement of cash flows		
Net cash generated (used in)/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	-	-

30 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.

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31 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, Plant & Equipment in Note 9.

The Corporation also hold leases of offices for it's Mauritius, Sudan, Abidjan, Uganda and Ethiopia Offices. The future minimum lease payments leases are as follows:

	2019 US$'000	2018 US$'000
Not later than 1 year	146	209
Later than 1 year and not later than 3 years	96	137
	242	**346**

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:

	2019 US$'000	2018 US$'000
Not later than 1 year	1,196	1,241
Later than 1 year and not later than 3 years	929	1,454
	2,125	**2,695**

32 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 a number of sources of capital available to it and seeks to optimise its retention capacity in order 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:

	2019 US$'000	2018 US$'000
Share capital	285,861	285,140
Share premium	216,107	214,469
Other reserves	188,303	209,291
Retained earnings	284,927	208,147
Total capital – equity	**975,198**	**917,047**

33 Events after the reporting date

Management assessment of the Corporation's ability to continue as a going concern involves making a judgement, at a particular point in time, about inherently uncertain future outcome of events or conditions.

The Directors acknowledges that the recent outbreak of corona virus (Covid-19) which started mid-December 2019 in China and declared as a global pandemic by the World Health Organisation is capable of affecting the ability of the Corporation to realise its projected revenues and impairment assessment in the near future.

The financial impact of these disruptions on the Corporation's business cannot be reasonably estimated at this time. However, Management carried out a stress test on its capital and liquidity, and concluded that the Corporation will remain solvent and able to operate sustainably into the future. The outcome of the stress test is considered a non-adjusting subsequent event.

Other than the above, there were no other 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$'000	Total 2019 US$'000	Total 2018 US$'000
Underwriting income:					
Gross written premium	736,965	50,499	57,322	844,786	797,415
Gross earned premium	715,585	51,877	55,260	822,722	793,156
Retrocession premium	(132,629)	(11,309)	(5,444)	(149,382)	(119,602)
Net earned premium	**582,956**	**40,568**	**49,816**	**673,340**	**673,554**
Commissions & charges earned under retrocession arrangements	**26,662**	**1,975**	**1,197**	**29,834**	**20,867**
Gross claims paid	**(415,456)**	**(20,921)**	**(24,745)**	**(461,122)**	**(455,272)**
Gross claims incurred	(435,624)	(24,066)	(25,805)	(485,495)	(461,092)
Less retrocessionaires' share	77,741	4,683	1,738	84,162	49,775
Net claims incurred	**(357,883)**	**(19,383)**	**(24,067)**	**(401,333)**	**(411,317)**
Acquisition expense	(199,102)	(14,476)	(13,691)	(227,269)	(217,446)
Management expenses	(42,194)	(2,835)	(3,562)	(48,591)	(44,962)
Underwriting profit	**10,439**	**5,849**	**9,693**	**25,981**	**20,696**
Net investment and other income				66,102	24,865
Net foreign exchange loss				9,758	(14,988)
Profit before income tax				**101,841**	**30,573**
Income Tax charge/credit				(1,937)	696
Profit for the year				**99,904**	**31,269**

Notes

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