Africa Re

▪ Established in 1976 ▪ 41 African Member States

ANNUAL REPORT & ACCOUNTS

2020

About Us

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

Mission

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

Value Proposition

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

Diversified Shareholding

- 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$ 804.774 million in 2020**, 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 36th by S&P in the Top 40 Global Reinsurance Groups** by **net reinsurance premiums written in 2019** and **ranked 41st by AM Best in the Top 50 World's Largest Reinsurance Groups** by **unaffiliated gross premium written in 2019**.

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 permanent employees** from **26 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 (2):** Ethiopia and United Arab Emirates
- **Underwriting Representative Offices (2):** Uganda and Sudan

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.

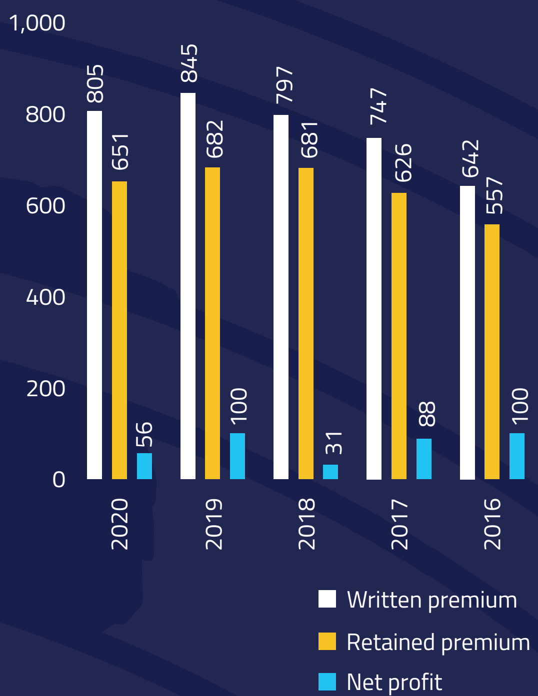
Recent Recognition & Awards in 2020

	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 (8 times since 2012) by the International Retakaful Summit	2012 to 2020	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)

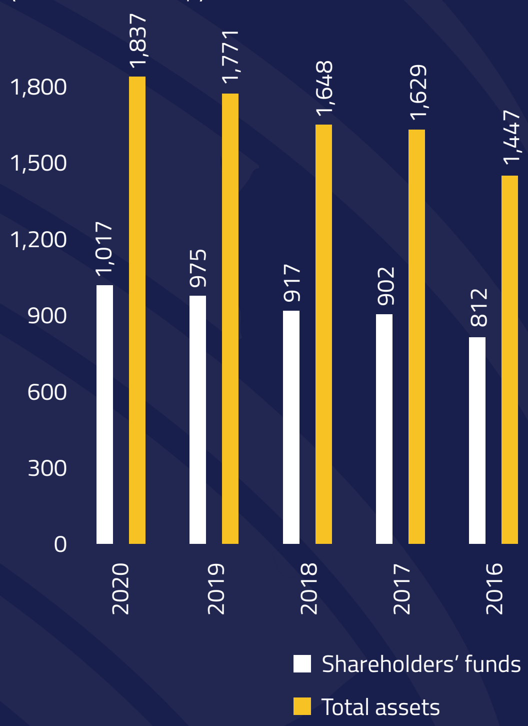
Financial highlights

In US$ '000	2020	2019	2018	2017	2016
Results					
Written Premium	804,774	844,786	797,415	746,829	642,024
Retained Premium	651,096	681,647	681,334	625,650	556,995
Earned Premium (Net)	655,378	673,340	673,554	606,896	567,532
Net Profit	55,709	99,904	31,269	87,982	100,202
Financial position					
Shareholders' Equity	1,017,106	975,198	917,047	902,039	812,311
Total Assets	1,836,676	1,770,980	1,648,066	1,628,545	1,447,299

Results 2016 - 2020
(in million US$)



Financial position 2016 - 2020
(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

2019 Dividend: US$ 8.8

TABLE OF CONTENTS

African Reinsurance Corporation
Annual Report & Financial Statements

31 December 2020

African Reinsurance Corporation
General Assembly

June 2021

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 2020.

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:
2021

Mr BOUBRIK is currently the Director General of the National Social Security Fund (CNSS) of Morocco. He holds degrees in Finance and Actuarial Science.

He previously served as Chairman of the Supervisory Authority of Insurance and Social Security (ACAPS) and Chief Executive Officer of a major finance conglomerate. He 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.

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 the Casualty Actuarial Society (FCAS). He represents Fairfax on numerous subsidiary and industry trade boards.

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 Business Law from the University of Dakar, Senegal and a diploma from the Centre for Financial, Economic and Banking Studies (CEFEB) in Paris, France. He is equally a graduate of the African Institute for Economic Development and Planning (IDEP) in Dakar. Mr BAH has over 30 years of experience in the Central Bank of Guinea, where he has held several senior positions amongst others, Director of Human Resources, Director of the Banking Sector, Head of the Legal Unit and Head of Internal Control.

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 Deputy Managing Director and then Chief Executive Officer of Banque Tunisienne de Solidarité (BTS) and Controller General of Finance. He holds a Master's degree in Economics, Diploma of Treasury Inspector from Ecole Nationale des Services du Trésor in Paris 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, 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

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. Prior to joining Africa Re, he served on the Board of Africa Re between 2003 and 2005.

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 on issues of insurance development, insurance protection gap, risk management, insurtech and leadership.

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

Ms Yvonne PALM

Director, Risk Management and Compliance

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. Prior to that, he worked for ACE European Group as the European Accountant for Life Operations with responsibility for the United Kingdom and seven branches across the European Union. Mr MUCHAI also served as a Senior Audit Executive with Ernst & Young in London where he focused on the audit of Insurance Companies, Asset Management Companies and The Society of Lloyds.

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

Mr Moussa BAKAYOKO

Director, Internal Audit

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

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

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

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

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

Mr Chris SAIGBE

Director, Life Operations

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

Mr Guy B. FOKOU

Director, Human Resources

Mr Guy B. FOKOU 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).

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

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

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

REGIONAL DIRECTORS, MANAGING DIRECTORS OF SUBSIDIARIES AND LOCAL REPRESENTATIVE

Mrs Temitope AKINOWA

Regional Director, Lagos Office

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

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

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

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

Mr Mohamed Larbi NALI

Regional Director, Casablanca Office

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

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

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

Mr Gamal Mohamed SAKR

Regional Director, Cairo Office

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

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

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

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

Mr Olivier N'GUESSAN-AMON

Regional Director, Abidjan Office

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

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

Mr Ephraim Kiiza BICHETERO

Regional Director, Nairobi Office

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

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

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

Mr Vincent MURIGANDE

Regional Director, Mauritius Office

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

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

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

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

Mr Andy TENNICK

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

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

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

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

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

Mr Yousif El Lazim GAMMA

Managing Director, Africa Retakaful

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

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

He started his career in 1991 as underwriter in the National Reinsurance Company (Sudan) where he worked for Seven (7) years in Non-Marine Department. In 1998, he joined Greater Nile Petroleum Operating Company (GNPOC) as Head of Risk and Insurance Unit. In 2005 he was recruited by Savanna Insurance Company as General Manager in charge of all executive operations.

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

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

Mr Debela HABTAMU

Local Representative, Addis Ababa Local Office

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

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

Mr Mohamed Saad ZAGHLOUL

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

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

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

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

Mr Hassan BOUBRIK
Chairman

Chairman's Statement

I am pleased to present the 43rd Annual Report of the Board of Directors of the African Reinsurance Corporation (Africa Re or Corporation) including the 2020 financial statements. This report also includes a review of the Corporation's operating environment, the external auditors' report to the shareholders as well as reports on capital management, enterprise risk management, corporate governance, compliance, corporate social responsibility and human resources.

Operating Environment in the Covid-19 Year

The year 2020 will remain historically significant not just because of the Covid-19 pandemic, but also for the significant socio-economic changes that have taken root in response to the challenges brought about by the global pandemic. Covid-19 disrupted the whole world and according to some estimates claimed about 10 million lives, people who would otherwise be living.

On the health side, the Corporation strictly applied the measures taken by local health authorities to prevent its staff from Covid-19 infection. There was an early closure of our offices across the continent with all the personnel working from home. No fatality has been recorded among our staff or dependents as a result of the pandemic.

On the macro-economic front, the global economy shrank by 3.3%. This is the deepest contraction recorded in 40 years. Our markets in Africa and the Middle East were particularly impacted with some of our key markets recording negative GDP growth of up to 7.0%.

Significant geopolitical events were also witnessed in 2020 including a contested presidential election in the United States, continued tensions in the Middle East and the killing of George Floyd while under arrest by police officers in the United States. These events introduced further complications in an already difficult year thereby making 2020 the most challenging year in recent memory.

Corporate Financial Performance

Despite a very challenging operating environment, the Corporation's financial performance was remarkably resilient with positive results from the underwriting account and investment returns. The macroeconomic situation exerted great pressure on our key operating currencies, which depreciated against the US dollar. Our investment returns were also negatively impacted by cuts in interest rates in most countries and lower dividend payouts. Overall, the net profit for the financial year 2020 was US$ 55.71 million (2019: US$ 99.90 million).

Gross written premium of US$ 804.77 million declined by 4.74% from US$ 844.79 million recorded in 2019. Given a situation where the exchange rate remained stable, gross written premium would have amounted to US$ $859.20 million, thereby resulting in a 1.71% growth in 2020 as opposed to the decline of 4.74% mentioned above. The decline in gross premium income in 2020 was mainly driven by exchange rate weakening for our key operating currencies, hence the lower amounts when translated into US dollars.

Net earned premium, after adjusting for the movement in unearned premium provision and retrocession, amounted to US$ 655.38 million compared to US$ 673.34 million in 2019. This decline of 2.67% is solely attributed to the reduction of gross written premiums. The Corporation's strategy on retrocession remains stable and is targeted at protection against catastrophic and large losses from classes of business with high exposures. Retroceded premium during the year was US$ 156.38 million, as against US$ 149.38 million in 2019, being a 4.68% increase. The increase in retroceded premiums was mainly due to the significant growth in the Oil & Energy business where the Corporation continues to maintain a lower retention when compared to other classes of business. The retrocession market remained stable when compared to 2019.

However, the Corporation was able to improve the terms and conditions of the cover obtained.

Net acquisition cost, made up of reinsurance commissions and charges, including change in deferred acquisition costs, stood at US$ 186.28 million when compared to US$ 197.43 million in 2019. This decrease in net acquisition costs of 5.65% was largely due to the reduction in the volume of gross written premiums recorded. The net acquisition costs ratio of 28.42% recorded a marginal improvement from the 29.32% recorded in 2019.

Gross claims incurred in 2020 declined by 6.56% to stand at US$ 453.63 million (2019: US$ 485.50 million) while the gross incurred loss ratio improved significantly to 55.88% from 59.01% during 2019. This improvement is a reflection of the positive steps taken by the Corporation to improve the quality of the underwriting portfolio in some of our key markets.

Net incurred loss ratio of 61.79% recorded a slight deterioration when compared to 59.60% recorded in 2019. Reserves for Covid-19 related claims, estimated at US$ 26.85 million in gross terms, were largely responsible for this deterioration when compared to 2019. Excluding the impact of Covid-19, the net incurred claims ratio would have been 58.41%. Compared to the past three years (2019: 59.60%; 2018: 61.07% and 2017: 60.41%) the loss ratios would have been the lowest recorded since 2017.

During the year, operating expenses and capital expenditure were kept within the approved budget. Management expenses in 2020 stood at US$ 50.10million being a 3.10% increase compared to US$ 48.59 million recorded in 2019. Management expense ratio, including provision for bad debts, increased to 7.64% (2019: 7.22%), mainly due to the decline in net earned premiums in 2020 when compared to the previous year.

Given the combination of declines in revenues, Covid-19 related claim reserves and the marginal increase in management expenses, the net combined ratio for the year stood at 97.85% compared to 96.14% in 2019. However, it is worth pointing out that despite the exceptional circumstances of the year 2020, our combined ratio was still within the target range as set out in the 6th Strategic Plan for 2019-2023.

The Corporation's net underwriting profit (including management expenses) stood at US$ 14.04 million compared to US$ 25.98 million in 2019. This represents a decline of 45.97%. Without the Covid-19 related claims, the underwriting profit would have been US$ 36.17 million recording a significant improvement over 2019. This goes a long way to confirm to all our stakeholders the Corporation's discipline in underwriting and the continued efforts by Management to improve the underwriting portfolio.

Investment income also proved to be quite resilient in 2020 reflecting the Corporation's balanced strategy that primarily seeks to preserve capital whilst earning an adequate return on invested assets. Investment and other income stood at US$ 53.59 million compared to US$ 66.10 million recorded in 2019. The average investment return was 3.91% (2019: 5.26%) while the investment portfolio increased by 9.52%. The decline in return on invested assets is a reflection of the market conditions prevailing around the world in 2020.

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

The total effect of exchange rate fluctuations in functional currencies recorded in our production centres during 2020 was a loss of US$ 9.25 million when compared to a gain of US$ 9.75 million in 2019. This loss has been recorded in the Income Statement thereby reducing the net profit for the year.

The overall net profit for the year stood at US$ 55.71 million. This represents a decline of 44.24% compared to the net profit recorded in 2019 of US$ 99.90 million. This decline is mainly due to a reduced earned premium income, increased claims reserves for the Covid-19 related claims and lower investment returns. Shareholders' funds grew by 4.30% to reach US$ 1,017.11 million in 2020 representing 55.38% of the total balance sheet.

Return on equity recorded a significant decline given the lower net profit recorded in 2020. The return on average equity stood at 5.59% compared to 10.56% recorded in 2019. Whilst this performance is lower than that recorded in 2019, it is still within the target range set in the 6th Strategic Plan (2019-2023) and above the global reinsurance market average of 2.7% estimated by the Willis Re Market Index or 2.3% by the Aon Reinsurance Aggregate of April 2021.

Corporate Strategy 2019-2023 Execution

Whilst the Financial Performance recorded in 2020 was lower than that of 2019, most of the key performance measures, especially for the bottom line, were within the parameters set by the Board of Directors for the Strategic Period of 2019-2023. However, on the key measure for revenues, the Corporation aims to achieve a growth rate between 1.1% and 10.3% on its gross written premium. The decline recorded in 2020 of 4.74% was significantly outside the lower end of the target range.

Underwriting profitability as measured by the combined ratio target range of 89.3% to 98.0%, stood at 97.85% which was marginally below the top range. A similar situation was noted on the overall profitability measure with the actual return on equity of 5.59% being just within the target range of between 5.0% and 11.4%.

It is fair to therefore conclude that 2020 was a year in which the Corporation's performance was on the lower end of all the key performance measures. This was due to the challenges brought about by the Covid-19 pandemic and the resulting impact on financial markets and macro-economies around the world.

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

Over the next few months, Management and the Board of Directors will review the 2019-2023 Strategy with the aim of assessing how best the Corporation should respond to the new realities of life post Covid-19. However, the overall approach to deployment of capital will continue to be cautiously aggressive in order to take advantage of unfolding opportunities as they arise.

Corporate Governance, Risk Management and Social Responsibility

In 2020, the Board of Directors held four plenary meetings and various Committee meetings of its five sub committees (Human Resources and Remuneration Committee; Nominations and Governance Committee; Audit Committee; Underwriting, Risk Management and IT Governance Committee; Finance and Investment Committee).

Due to the unprecedented circumstances linked to the global pandemic, all board and committee meetings were held virtually for the first time. In addition, the year was marked by the strengthening of the Board's oversight role. An Ad Hoc Board Committee was set up to closely monitor the impact of the Covid-19 pandemic on the Corporation. The Ad Hoc Committee held a total of eight (8) meetings.

In line with best international governance standards and after the approval of the General Assembly at its 41st Annual Ordinary Meeting, the Corporation also welcomed its first non-executive independent director (Mr Moustapha Coulibaly) who is also the Chairman of the Audit Committee. The recruitment of the second independent director is expected to be completed in 2021.

Again, due to travel restrictions following the pandemic, the Corporation successfully held, for the first time in its history, its annual general assembly meeting through the 'Special Procedure' process in accordance with Article 3 of the General Regulations.

The Board and Management applied various risk management measures, including the monitoring of the Corporation's exposure to Covid-19 induced claims, liquidity levels, currency risk exposure, capital adequacy and internal process excellence. Particularly, the investment policy and guidelines were reviewed to adapt to the new realities and risks.

To ensure continuity of our operations, the business continuity plan of the Corporation kicked in successfully, with massive deployment of existing and new technological tools and systems, which allowed all our staff to work from home and carry out, without interruption or reduction of productivity, their usual work activities. This enabled the seamless provision of our usual services to our customers and the successful continuation of the implementation of two major transformative IT projects, namely a new reinsurance management solution and an enterprise resource planning system.

Finally, through the Africa Re Foundation, the Corporation approved a donation of US$ 3.32 million to various governments and private institutions at the forefront of the fight against the pandemic. This support was directed towards awareness campaigns, preventive measures, acquisition of medical equipment and personal protective equipment. Among the beneficiaries were the Africa Centres for Disease Control and Prevention of the African Union (US$ 500,000), eight countries that host Africa Re offices, and 41 insurance associations of Africa Re member states.

Outlook for 2021

The Covid-19 pandemic not only impaired growth prospects through economic and business slowdowns, but also the Corporation's overall net profitability through the Covid-19 related claims, most of which are still outstanding. However, with the accelerated uptake in vaccinations, we are projecting that normal economic activity will return to some of our key markets by the second half of 2021.

The key January renewals were largely successful with a number of offices recording better than expected volumes. On the pricing of risks, terms and conditions appear to be stable in most cases and in others hardening with some classes of business witnessing increases in renewal rates. Most analysts believe that Covid-19 related incurred but not reported claims will largely remain within the estimates. If this pattern continues throughout the remaining renewal seasons of 2021, it is projected that the Corporation will recover some of the momentum lost during 2020.

While financial markets performed better than expected during 2020, it is still unclear how markets will evolve given the significant intervention by governments following the Covid-19 pandemic and their potential to spur inflation. The near zero interest rates on government treasury bonds and low dividend payout rates which prevailed in 2020 are believed to persist in 2021, though things would still be volatile in the first semester.

On the African Continent, we have also seen an increase in fiscal stress and current account imbalances that is now translating into debt distress for countries with maturing foreign currency debts. Currencies already under pressure in 2020 will continue to depreciate further limiting the Corporation's growth and profitability. This will almost certainly mean another tough financial year ahead for all of us.

However, with the resilience of the Corporation's internal processes, conservative approach to investment management, continued discipline in underwriting coupled with a strong capital and liquidity position, we are confident that our performance in 2021 may be better than in 2020. It is on that basis that we have recommended to the shareholders to maintain dividend payout at the same level as in 2019, at US$ 8.80 per share.

Final Note

On the eve of my departure from the Board of Africa Re, due to new duties in my country and after eight years as Chairman, I am proud to have led this Board during one of the most glorious periods of the Corporation. During this period, the Corporation achieved for the first time, US$ 100 million as annual net profit, US$ 1 billion of liquidity and shareholders' funds and the prestigious A financial rating by AM Best. Indeed, this financial performance (premium growth rate, investment return, combined ratio, return on equity) achieved during my tenure was very remarkable as it was well above the global reinsurance market averages for a company operating in the toughest of all the regional macro-economic environments.

On my personal behalf and on behalf of the Board of Directors, I would like to say thank you to Africa Re staff in all our locations and the Management team led by Dr. Corneille KAREKEZI. They have demonstrated beyond any doubt what Africans, when they come together and are determined, can achieve.

My gratitude goes to my fellow Board Directors, past and present, who have assisted me with their knowledge, competence and wisdom. Thank you for your dedication, hard work, commitment and support in 2020 and in the recent past. We can be proud of what we have achieved together for Africa Re and for our shareholders.

I cannot forget at this time to thank all the Shareholders who continued to guide and support the Corporation with their capital, business and conducive market conditions.

More importantly, I continue to be grateful for the continued support of all ceding insurance companies, brokers and business partners, with whom our Corporation has forged a long lasting and mutually beneficial relationship.

I am in no doubt that the future of the Corporation is in very good standing as I wish you goodbye for the last time as your Chairman.

Thank you.

Hassan BOUBRIK
Chairman

Dr Corneille KAREKEZI
Group Managing Director /
Chief Executive Officer

MANAGEMENT REPORT

I. ECONOMIC & TRADE ENVIRONMENT IN 2020

Global Economy: Worst Recession since the Great Depression Driven by Covid-19

The coronavirus, named Covid-19, was declared a pandemic on 11 March 2020 by the World Health Organization. The global economy was thrown into one of its worst recessions since the great depression largely driven by Covid-19, with an impact worse than the global financial crisis of 2008 and the peak of the European debt crisis in 2011. The full economic recovery to pre-pandemic levels is expected to be long, uneven and uncertain.

According to the IMF, the global economy was estimated to have contracted by 3.3% in 2020 using GDP as measure of economic activity, a significant shift from the positive expansion of 3.3% projected at the beginning of 2020. This is much better than the 4.9% contraction projected at the peak of the pandemic during the first semester of 2020.

Covid-19 started as a healthcare crisis and has since metamorphosed into an economic and social crisis leaving a significant human and economic toll along its path. To contain the virus and protect public health, most economies have adopted different measures from movement restrictions to the total lockdown of economies. These interventions have significantly impacted production, distribution and consumption as seen in the decline of commodity prices, accelerated job losses, disruption of supply chains and rising government debts.

At the time of writing this report, we have had over 160 million cases and over 3.3 million deaths globally resulting in a fatality rate of 2.08%. The top five (5) countries with the highest number of infections are: United States of America, India, Brazil, France and Turkey.

Governments as well as bilateral and multilateral financial institutions have risen to the occasion by deploying fiscal and monetary tools to cushion the effect from interest rate cuts, deferred payments on debts, tax holidays and stimulus packages for the vulnerable members of the society. These monetary and fiscal interventions were financed by printing money and systematic recourse to existing facilities, provided for in the event of financial distress or a very negative national current accounts, within the framework of international monetary institutions such as the IMF, the World Bank and continental investment and development banks.

Financial Markets: Emergency Support Using Fiscal and Monetary Policy Instruments

With the identified economic challenges, central banks have deployed different accommodative monetary policies from using assets repurchase programmes, also known as quantitative easing, to a significant lowering of interest rates to support their economies that have been hit hard by the pandemic. This is expected to aid a quick economic recovery as the spread of the virus wanes.

Despite 2020 being a volatile year, these interventions, coupled with the news of vaccine discovery late in the year, restored investor confidence and drove market sentiment, buoyed by technology stocks, to some recovery of initial losses for some positive returns in most financial markets. The stable transition of power in the United States of America coupled with the promised stimulus packages and strengthened investors' resolve is also responsible for the year-end rally recorded. The performance recorded for the relevant investment indices was strong on most global stock exchanges: S&P 500 (+16.26%), Dow Jones Industrial Average (+7.25%), NASDAQ Composite (+43.64%), MSCI World Index (+14.34%) and STOXX Europe 50 (-8.66%). The African exchanges also recorded improved performance. The Egypt EGX 30, Nairobi SE 20, Casablanca SE, Nigerian Stock Exchange and FTSE/JSE South Africa Top 40 improved at -22.32%, -8.59%, -7.27%, 50.03% and 7.01% respectively. The performances were mixed with some recovering from the lows of 2019 and some having a strong rebound from the downturn recorded at the beginning of the pandemic.

Due to the quest for high-grade fixed income instruments as a result of the uncertainty in the financial market, lower yields were recorded from an already depressed yield curve. This trend was the same across all major markets with the US Treasury 10-Year Treasury Note yield returning 0.92% at the end of 2020, compared with 1.92% and 2.68% return at the end of 2019 and 2018 respectively.

As part of the monetary policy instruments used by governments to combat the pandemic, there was a collapse of interest rates with the US dollar, euro and British pound sterling 3-month LIBOR declining by 1.67, 0.15 and 0.77 basis points respectively. In Africa, there were also significant rate cuts in some countries like Nigeria: 1.00% (2019: 11.75%), Kenya: 5.80% (2019: 7.50%), South Africa: 4.58% (2019: 6.50%), Egypt: 5.75% (2019: 9.00%), Morocco: 1.58% (2019: 2.33%) and Mauritius: 0.88 (2019: 3.55%). Francophone West Africa was one of the regions that experienced a rate hike from 2.28% in 2019 to 3.10% in 2020. In all the lower for longer interest rate regime continued.

Concerning commodities, the Brent crude declined by 26.24% while gold prices appreciated by 25.03% at the end of the year amidst the volatility experienced during the year. Other commodities such as cocoa, sugar and cotton appreciated by 2.48%, 15.42% and 13.14% respectively, coffee however declined by 1.12%.

African Economy: First Recession in Half a Century Driven by Covid-19

Covid-19 has plunged the African economy into its first recession in over 50 years according to the African Development Bank. The economy is estimated to have contracted by 2.1% similar to the estimated contraction of 2.0% by the World Bank and 1.9% in sub-Saharan Africa by the IMF. Due to the economic impact of the pandemic, public debt vulnerabilities are at an all-time high compounded by lower revenues and output. The public debt stood at 66% of GDP in the sub-Saharan region, the highest in the last 15 years.

To cushion the effect of the pandemic, most governments deployed stimulus packages for the vulnerable members of the society in a difficult choice between saving lives and livelihood. There is an inherent structural weakness in most African economies as the top 10 recorded a decline in GDP for the period under review compared with 2019 according to the IMF. The estimated GDP growth rates for the top 10 economies is as follows: Nigeria (-1.79%), Egypt (3.57%), South Africa (-6.96%), Algeria (-5.99%), Morocco (-7.02%), Kenya (-0.13%), Ethiopia (6.06%), Ghana (0.88%), Tanzania (1.03%) and Angola (-3.98%).

The continent recorded a slower spread of the Covid-19 pandemic and lower Covid-19 related mortality than the rest of the world. At the time of writing this report, the continent had recorded over 4.6 million cases and over 125,000 cumulative deaths representing a fatality rate of 2.69%. The most impacted countries based on the number of deaths are South Africa, Morocco, Ethiopia, Tunisia and Egypt with 3.43%, 1.77%, 1.49%, 3.59% and 5.85% according to World Health Organisation.

Despite the vaccines developed in advanced economies, most African countries cannot afford or access them as a spike in Covid-19 infections is experienced in some countries leading to a second or third wave as the case may be.

As a result of the pandemic, an additional 38.7 million people could fall below the poverty line of US$ 1.90 per day, pushing the total to 465.3 million representing 34.4% of the African population in 2021. The pandemic has reversed many years of economic and social progress. Another impact of the pandemic is the continued volatility and depreciation of African currencies. The Egyptian pound, West Africa CFA franc and Moroccan dirham strengthened against the US dollar with a performance of +1.93%, +8.76% and +6.88% respectively. On the other hand, the South African rand, Nigerian naira, Kenyan shilling and Mauritian rupee weakened against the US dollar to record a performance of -4.98%, -8.77%, -7.75% and -9.22% respectively.

Governments will need to make bold reforms to revive economies as the rising debt burden necessitates efficient use of available resources. There is a need to diversify economies including a renewed focus on digitization to boost effectiveness, reduce cost and expand the reach of social protection programmes as recommended by the African Development Bank. Plans should also be in place to consolidate the gains of the healthcare sector in the ongoing fight against the pandemic.

Global Reinsurance: Resilient Despite Volatile Earnings Largely Due to Covid-19 Across Regions

The global reinsurance market experienced unprecedented and unexpected challenges in 2020 mainly due to the Covid-19 pandemic that impacted all sectors of the economy in varying degrees. The industry experienced the tightening of premium rates in loss-affected lines and regions but no significant rate changes in unaffected classes. There was also some capacity crunch in the retrocession market due to the withdrawal of capital following the huge losses experienced in prior years.

According to the 2020 Aon Reinsurance Aggregate (ARA) report - which is used as a proxy for the global reinsurance sector since it tracks the top 23 companies that write around 50% of the world's non-life reinsurance premium and a large majority of the life reinsurance premiums - the gross written premium of the market grew by 6% to reach US$ 294.0 billion. The net combined ratio of the property and casualty (P&C) segment stood at 103.4% (2019: 100.2%). The booked Covid-19 losses were estimated at US$ 14.0 billion contributing 8.8 percentage points while the disclosed natural catastrophe losses of US$ 8.7 billion contributed another 5.0 percentage points that is lower than the 5-year and 10-year averages of about 7.0 percentage points. The development of prior year reserves remains favourable overall as this buffer continues to dwindle in recent years.

While Covid-19 claims are still unfolding, the intervention of the courts and their legal interpretation almost guarantees that the reinsurance industry will take a significant share of the estimated industry loss which is between US$ 50 billion and US$ 80 billion. (Re)insurers have maintained that pandemics are generally not insurable and Covid-19 was not meant to be covered.

Due to the volatile investment returns across fixed-income securities and financial markets, the total investment returns (including capital gains and losses), according to the above mentioned market index (ARA companies), declined to 3.3% from 4.4% recorded in 2019. On the other hand, the ordinary investment average return also declined to 2.3% (2019: 2.8%), a new low since the year 2006. In terms of profitability, the global reinsurance industry provided another subpar performance for the third time in the last four years largely due to the negative underwriting results and low investment returns. The cost of equity of 10.0% according to Bloomberg could only yield a return on equity of 2.3%. In the year under review, all major rating agencies except AM Best issued negative industry outlook opinions during the year largely due to the global reinsurance market not being able to match the cost of equity. At the moment of writing this report, AM Best and Fitch maintain a stable outlook while S&P and Moody's maintain a negative outlook.

The adoption of IFRS 17 mandated by the International Accounting Standards Board, which comes into force by 01 January 2023, is also another major engagement in the (re)insurance industry in the period under review. The standard is expected to replace IFRS 4 to simplify the comparability of insurance entities using a consistent global basis for recognizing insurance contracts. This standard will be enforced alongside the IFRS 9 that has been in force since 2018.

The industry also experienced heightened interest in sustainability and climate protection with a renewed commitment from major stakeholders for a better environmental, social and governance consciousness in compliance with the United Nations sustainable development goals, principles for sustainable insurance and principles for responsible investment.

Also, the digitization of business operations and industry ecosystems gained a significant boost. Most industry players adopted hybrid models of work and communication due to the movement restrictions and lockdowns occasioned by the pandemic. It is clear that digital innovation is **the** key to unlocking more value in the industry. **However**, downside risks **such as** business email compromise and other cyber-crimes must not be ignored.

In Africa, the reinsurance market continues to expand, especially the P&C segment, due to higher cession rates, the introduction of risk-based solvency regimes leading to higher demand for reinsurance and the low cost of reinsurance that is much lower than the cost of equity. Following continuous relatively better portfolio profitability, the attractiveness of the market has also seen new national, regional and international players through different forms of partnership structure, coupled with protectionist policies enacted in selected markets. With the pandemic being an earnings event, it is expected that the industry will continue to expand with financial strength and credit rating being a major winner in the marketplace.

Africa Re in 2020: Strong Underlying Performance Suppressed by Covid-19

The Corporation experienced a decline of 4.74% in gross written premium to achieve US$ 804.77 million (2019: US$ 844.79 million). This was largely due to currency volatility and strategic repositioning of our portfolio in South Africa, the Middle East and North Africa. There was a net growth in all other regions covered in our portfolio. The performance in 2020 was significantly impacted by unfavourable currency movements against the US dollar amounting to US$ 54.43 million. This implies that the Corporation would have achieved a gross written premium of US$ 859.20 million in 2020 resulting in a growth of 1.71% over 2019.

Our underwriting performance declined from US$ 25.98 million in 2019 to US$ 14.04 million in 2020. This was largely driven by the unexpected Covid-19 related losses which remain largely incurred but unreported at the closure of the year. In the period under review, the Corporation achieved a net combined ratio of 97.85% (2019: 96.14%) which is an enviable performance compared with ARA companies that recorded 103.40%. The Covid-19 related losses contribute 3.38 percentage points estimated at US$ 22.13 million on net basis. Our offices in South Africa and Mauritius were the most impacted accounting for 74.6% and 18.5% of the reported and estimated losses. At the moment, most of the Covid-19 claims exposures in South Africa are mainly estimates. Over the last 5 years, the Corporation has recorded an average combined ratio of 95.19% compared with ARA companies that achieved 100.58%.

Excluding Covid-19, the Corporation would have recorded a combined ratio of 94.48%. Further analysis using the normalized combined ratio that assumes an average large and natural catastrophe loss burden over 10 years that excludes prior year reserve development, as well as Covid-19 impact, showed that the Corporation would have reported a net combined ratio of 94.94%.

The pandemic led to a decline in yields across all investment asset classes leading to a decline of our investment income from US$ 66.10 million in 2019 to US$ 53.59 million in 2020, which is an average investment return of 3.91% (2019: 5.26%). This was as a result of the tough macroeconomic conditions occasioned by the pandemic as lower capital gains, interest income and dividend income were experienced in the period under review. Our yields on investment property, cash instruments, fixed income and equity were depressed by 4.74%, 0.82%, 0.38% and 7.16% points respectively.

The Corporation achieved an overall profit after tax of US$ 55.71 million compared to the US$ 99.90 million recorded in 2019 translating to a decline of 44.24%. This is a decent result after the reserves constituted for the Covid-19 related claims and under the current weakened macro-economic conditions and its cascading implications across regions and sectors of the global economy in recession. With a healthy mix of underwriting profit and investment income, the performance is enviable as most industry players were only able to record profit from investment income. Our performance was also impacted negatively by the volatility and depreciation of some major African currencies as the impact was much bigger than prior years due to the Covid-19 pandemic.

With a conservative dividend distribution policy and dividend payout ratio that stands at an average of 25.98% for the last 10 years, the Corporation has also declared a dividend of US$ 8.80 per share, similar to what was declared in 2019. In 2020, our shareholders' equity grew by 4.31% from US$ 975.20 million to US$ 1.017 billion. This is a milestone compared with other continental initiatives in the (re)insurance industry around the world. The Corporation achieved a return on average equity (RoAE) of 5.59% in the period under review compared with 10.56% achieved in 2019. This reflects the overall impact of the pandemic especially our Covid-19 losses, lower investment yields and currency depreciation. Over the last 5 years, the Corporation has recorded an average return on equity of 8.49% compared with the return on common equity for ARA companies that achieved 5.84%.

Social Responsibility: Supporting our Stakeholders in Difficult Times

As a socially responsible organization, we have committed US$ 3.32 million to relief efforts on the continent for Covid-19 through the Africa Re Foundation. This came in addition to our usual and ongoing corporate social responsibility initiatives financed by the Foundation. These initiatives include the sixth edition of our industry recognition and awards held in December 2020, the third Cohort of the Young Insurance Professionals Programme which enrolled more than 1,000 new trainees and other different projects with industry associations and regulators in line with our development mandate on the African continent.

Outlook for 2021: Uneven and Long Recovery from Covid-19

With the discovery and distribution of vaccines, our world is primed for a return to normalcy. However, the journey to pre-pandemic levels has been projected to continue into 2025. The inequitable distribution of vaccines between advanced and developing economies means that the recovery will be long and uneven. At the time of writing this report, Africa has received about 38 million doses of vaccines, from which 22.4 million were already administered, while only 0.40% of the population have received the complete jabs according to the Africa Centres for Disease Control and Prevention. Globally, over 1.26 billion doses of vaccines have been administered.

The IMF has projected that the global economy will grow by 6.0% with the United States, Eurozone, China, Japan and the United Kingdom estimated to grow by 6.4%, 4.4%, 8.4%, 3.3% and 5.3% respectively. Sub-Saharan Africa has also been projected to grow by 3.4% making it the slowest growing region in 2021. The cumulative per capita GDP growth over the 2020 – 2025 period has been projected at 3.6%, which is lower than the rest of the world at 14.0%. The top 5 African countries by GDP except Morocco are expected to grow slower than sub-Saharan Africa.

On the global reinsurance industry, there are mixed signals from the analysts and rating agencies for 2021. We will need to continue to watch how events unfold. Rating agencies largely maintained a stable outlook from 2020 based on the expected improved macro-economic conditions, hardening of premium rates across different classes of business, the latent demand for reinsurance and better underwriting discipline. However, they identified the downside risk of underwriting uncertainty combined with the effects of Covid-19. When a negative outlook is maintained from 2020, it is based on the inability of global reinsurers to earn their cost of capital as the industry has struggled in the past three years to do so due to large natural catastrophe losses and fierce competition further depressed by the impact of the pandemic. With the promised hardening of premium rates falling below expectation as of the January 2021 renewals, this is a critical consideration for their rating.

The African reinsurance industry will remain profitable on average with renewed market protectionism, intense competition on premium rates, influx of new players, tightened terms and conditions, increased retention, restructured reinsurance programmes and weakened currencies. With the steady progress recorded on the African Continental Free Trade Area (AfCFTA) agreement, we believe this is the right step in the right direction for economic integration. The opportunities are endless and we will be working industry stakeholders and policy makers to explore and exploit them.

The pulse of the financial markets, fiscal policy authorities and monetary policy decision-makers show there is a negative sentiment on investment performance. The Corporation will be realigning its investment portfolio for stable returns under these conditions. We expect the year 2021 investment income to remain within the 2020 achievements subject to stability in the global economy.

With the uncertainty in the operating environment, the Corporation hopes to keep pace with the achievements of 2020 and to return to pre-pandemic levels in the next two to three years for topline, technical profitability, investment income and bottom-line metrics. Apart from the direct impact of the pandemic, our most significant source of uncertainty is the exchange rate of African currencies. The first four months of 2021 show an unfavourable trend in Nigeria, Ethiopia and Sudan. As the year unfolds, with improved arrangements for vaccines in Africa, we will provide additional guidance on our performance outlook for 2021.

With a strong capitalization, excellent liquidity, motivated workforce and a strong market reputation, the Corporation is well-positioned to sustain its value proposition to its clients while fulfilling our commitment to the development of the African continent. Accordingly, we believe that in 2021 we shall achieve performance at par or better than the global reinsurance market and our African peers, in line with the target ranges of the 6th Strategic Plan of the Corporation for the period 2019 - 2023.

II. TECHNICAL OPERATIONS

The Corporation's operating results are examined in this section and compared to 2019 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 the Middle East Retakaful markets handled by the subsidiary – **African Retakaful Company**.

One local office

- Addis Ababa, Ethiopia.

One underwriting office

- Kampala, Uganda

One Underwriting Management Agency

- Dubai, United Arab Emirates.

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

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

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

Description (US$000)	2020			2019		
	Gross	Retro	Net	Gross	Retro	Net
Income						
Premium (less cancellations)	804,774	(153,678)	651,096	844,786	(163,138)	681,647
Change in unearned premium provision	6,979	(2,697)	4,282	(22,064)	13,756	(8,308)
Earned premium	811,753	(156,375)	655,378	822,722	(149,382)	673,340
Outgo						
Losses paid	413,973	(64,302)	349,671	461,122	(73,242)	387,880
Change in outstanding claims provision (incl. IBNR)	39,655	15,641	55,296	24,373	(10,920)	13,453
Incurred losses	453,628	(48,661)	404,967	485,495	(84,162)	401,333

Premium income

In 2020, the Corporation generated a gross written premium income of US$804.77 million which is 4.74% less than the 2019 production of US$844.79 million, mainly due to the continued depreciation of some underlying original currencies against the US dollar, continued portfolio cleansing in South Africa and the Middle East as well as the slowdown of the economy due to the Covid-19 pandemic.

Fluctuations in exchange rates adversely impacted the Corporation's production by US$54.43 million as the Kenyan shilling, the Ethiopian birr, the Zambian kwacha, the Sudanese pound, the Nigerian naira and the South African rand weakened against the US dollar among other currencies.

Africa's GDP is expected to grow by 3.4 percent in 2021 after shrinking by 2.1 percent in 2020 because of the COVID–19 pandemic. This recovery will mark the end of the worst recession in more than half a century and will be underpinned by an expected resumption of tourism, a rebound in commodity prices, and a rollback of pandemic-induced restrictions.

South Africa's real GDP growth was 0.2% in 2019. The pandemic and the containment measures to curb the spread of the virus further damaged the economy. Real GDP contracted by -7% in 2020, the result of a decline in construction, transport & communication, manufacturing and mining.

Nigeria's real GDP is estimated to have shrunk by 1.8% in 2020. The country entered a recession, reversing three years of recovery due to a fall in crude oil prices, drop in global demand and containment measures to fight the spread of COVID–19.

Egypt's economic growth has been strong and resilient since the economic reforms initiated in 2016. It is one of the few African countries expected to grow in 2020, at 3.6%, despite the adverse impact of the COVID–19 pandemic. The economy grew at a slower rate than in 2019 (5.6%) but did not enter a recession, thanks to high domestic consumption.

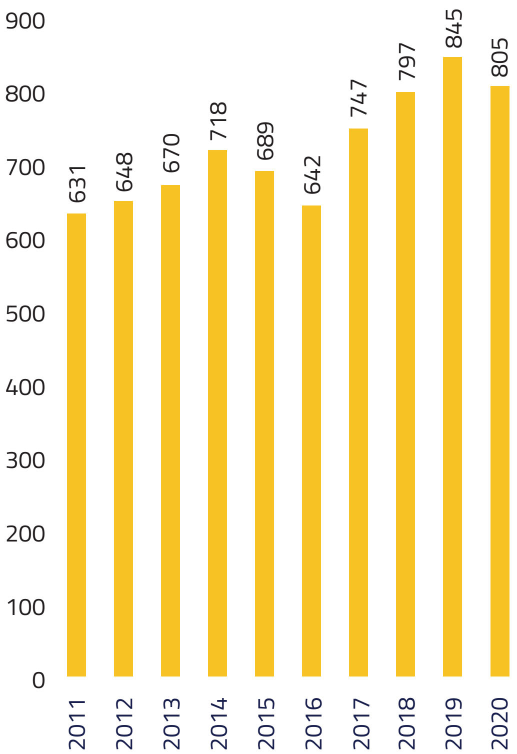
Kenya's economy has been hurt by the COVID–19 pandemic. In 2020, GDP growth is expected to decelerate to -0.1% from 5.4% in 2019. There was still growth in a few sectors such as agriculture, while weaknesses in services and industry have had a dampening effect.

The economy of Morocco has suffered dire consequences from the COVID–19 pandemic, experiencing its first recession in more than two decades in 2020. Real GDP declined by –7% in 2020, after growing by 2.5% in 2019.

Africa Re is the leading African reinsurer and the only local security on the continent backed by A rating from AM Best and A- rating from S&P.

Accordingly, the Corporation will continue to build its expertise in emerging and specialty lines with the view to providing African insurance markets with capacity and technical support in new products and special risks. Concurrently, in the coming years, the Corporation will continue to deploy its resources in order to maintain and increase its existing portfolio lines.

Development of gross written premium in US$million

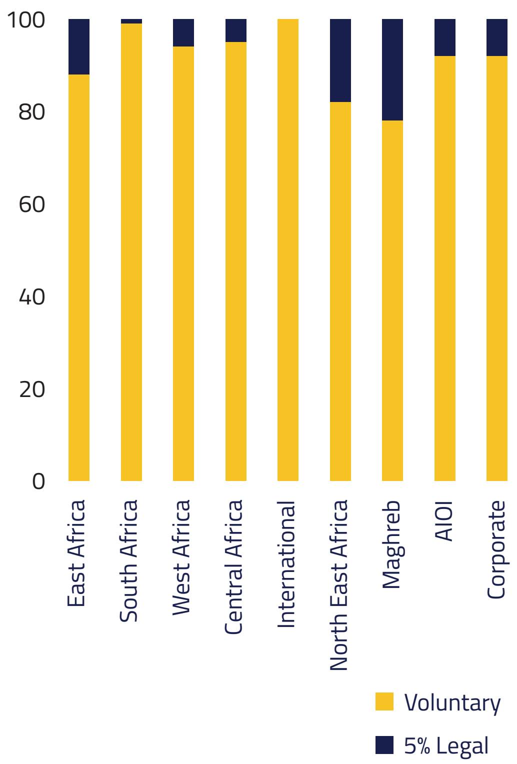


Legal (Compulsory) Cessions

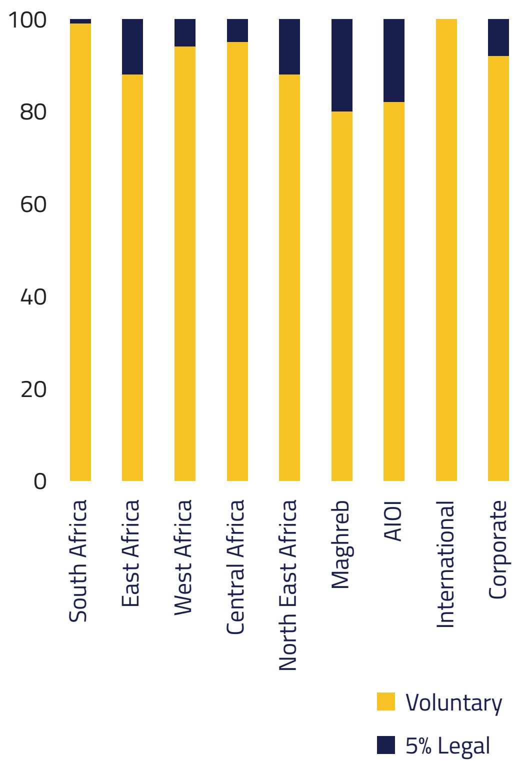
In 1976, when Africa Re was established by 36 member states, as an initiative of the African Development Bank, it had to compete with much larger foreign reinsurers with ties to former colonies. The rationale for setting up the Corporation, which is still paramount to date, was to reduce the outflow of premium income from the continent. To ensure its survival among these well-known larger brands, the Corporation was granted, at inception, 5% of every reinsurance treaty emanating from member states (the number of member states has risen to 41).

Compulsory cessions presently account for 8.1% of gross premium income.

Financial year 2020



Financial year 2019



Geographical distribution

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

Southern Africa
The African Reinsurance Corporation, South Africa Ltd (ARCSA) in Johannesburg, oversees operations in Botswana and the rand zone. The subsidiary is Africa Re's second highest premium provider with a contribution of 16.03% to the overall group turnover in 2020. In the year under review, ARCSA generated US$128.99 million (2019: US$174.32 million), representing a reduction of 26.01% 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$13.88 million.

East Africa
Production from this region increased by 8.77% to US$185.56 million (2019: US$170.59 million). This figure accounts for 23.06% of the corporate income. The office is the highest premium provider in 2020. This was achieved despite the adverse impact of depreciation on key currencies which led to a translational loss of US$11.08 million.

Anglophone West Africa
Premium income from this region was US$127.93 million (2019: US$130.18 million), representing a 2.49% decrease over the previous year. This turnover accounts for 15.90% of the corporation's production. The negative impact of exchange rates fluctuation was -US$16.716 million driven by the depreciation of the Nigerian naira by 25.77%.

Maghreb
Production from the Maghreb increased by 1.01%, to US$67.91 million (2019: US$67.24 million). Premium income from the region accounts for 8.44% of the corporation's production. The negative impact of the rates of exchange fluctuation was mild, at US$0.61 million.

North East Africa
Domestic production from the Cairo Regional Office grew marginally from US$38.47 million in 2019 to US$39.03 million in 2020 due to continued pressure from competition. The impact of rates of exchange fluctuation was marginally positive at US$0.56 million. Income from North East Africa accounts for 4.85% 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 0.40% from US$96.82million in 2019 to US$97.20 million in 2020. This growth was achieved due to the positive impact of the exchange rate of US$1.38 million. Income from this region accounts for 12.08% of corporate production.

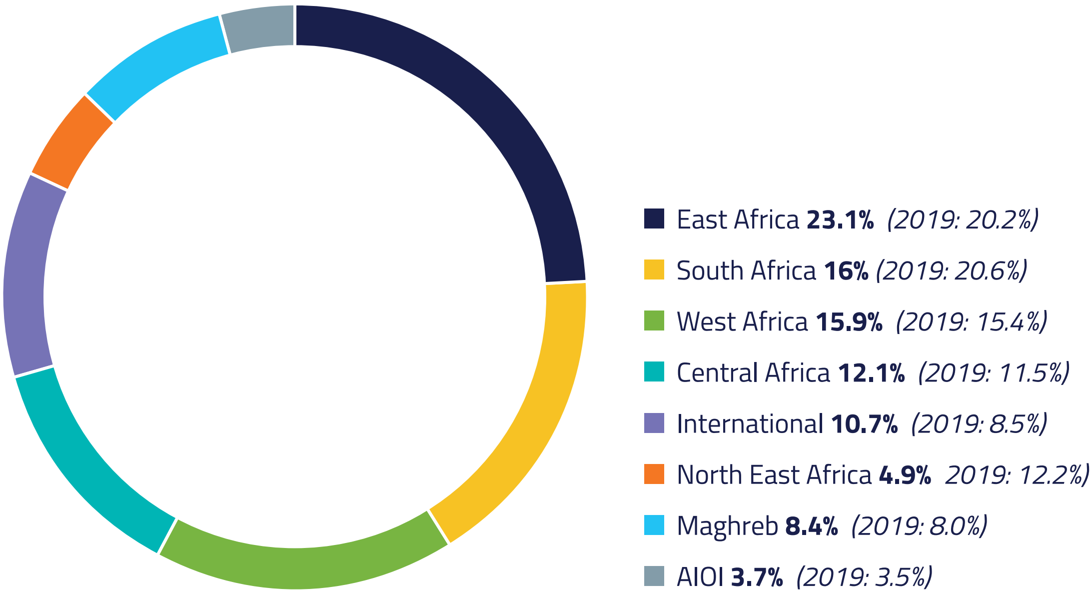
African Indian Ocean Islands
Income from the African Indian Ocean Islands and Lusophone African markets slightly decreased from US$29.67 million in 2019 to US$29.36 million in 2020. Business from this office accounts for 3.65% of the Corporation's turnover.

Africa Retakaful
The turnover of Africa Retakaful decreased significantly from US$64.41 million in 2019 to US$43.68 million in 2020. This underperformance is mainly due to the effect of cancellation of some major accounts known for their loss history and decline in premium income from its main Takaful market (Sudan) due to the business slowdown effect of COVID-19. Due to the disruption of business activities arising from the COVOD-19 pandemic, there was also a delay in the renewal of some facultative businesses. The performance was further worsened by the adverse impact of fluctuation of rates of exchange to the tune of US$6.067 million, largely arising from the depreciation of the Sudanese pound.

International Business & African Pools
Africa Re's income from international business increased from US72.07 million in 2019 to US$85.11 million in 2020. Production from the Middle East was US$38.00 million in 2020 (2019: US$35.07 million). Income from Asia increased from US$33.06 million in 2019 to US$43.77 million in 2029. Production from Brazil decreased slightly from US$3.94 million in 2019 to US$3.34 million in 2020.

Premium income from the African Oil & Energy and African Aviation Insurance Pools managed by the Corporation decreased from US$1.01 million in 2019 to US$0.84 million in 2020.

Geographical distribution of gross premium



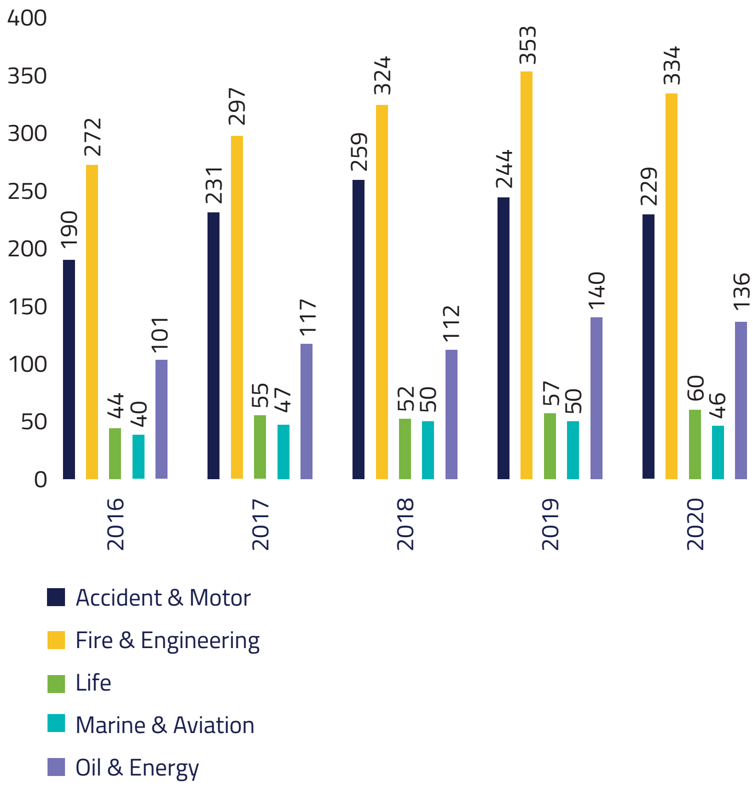
Sectoral distribution

Fire and Engineering class continued to produce the highest turnover with US$334.09 million representing 41.51% of corporate production as against US$352.78 million or 41.8% in 2019. This is followed by the Accident and Motor class, which stood at US$228.91 million or 28.44% of corporate income (2019: US$244.38 million representing 28.9%).

Oil & Energy class is third with a production of US$135.55 million or 16.84% of turnover (2019: US$$139.81 million representing 16.5%).

The Life class is fourth with US$60.45 million or 7.51% of turnover (2019: US$57.32 million or 6.8%) while the Marine and Aviation class follows with US$45.77 million, which is 5.69% of corporate production (2019: US$50.50 million representing 6.0%).

Premium by class in US$million



Technical expenses

Losses

Total gross claims paid decreased from US$461.12 million in 2019 to US$413.97 million in 2020.

Gross claims paid ratio reduced from 56.05% in 2019 to 51.00% in 2020. Gross incurred losses, which include movement in outstanding claims provision (US$24.37 million in 2019 as against US$39.65 million in 2020), amounted to US$453.63 million in 2020 (US$485.5 million in 2019).

The table below provides insight into the previously stated indicators.

Gross loss ratio by class - financial year 2020 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.	164.20	280.48	58.54%	47.34	49.35	95.92%	211.53	329.83	64.13%
Accident motor	127.66	221.21	57.71%	15.53	15.22	102.00%	143.19	236.43	60.56%
Oil & Energy	42.94	127.40	33.71%	3.23	10.04	32.11%	46.16	137.44	33.59%
Marine & aviation	16.16	41.86	38.59%	5.10	4.89	104.25%	21.26	46.75	45.46%
Life	31.07	60.84	51.08%	0.41	0.46	89.27%	31.49	61.30	51.37%
Total	**382.03**	**731.78**	**52.21%**	**71.60**	**79.97**	**89.53%**	**453.63**	**811.75**	**55.88%**

Loss Experience by Trading Area

The gross incurred loss ratio for the subsidiary in South Africa increased from 56.8% in 2019 to 63.0% in 2020 and the net incurred loss ratio also increased from 57.5%. to 62.8%. This increase in both gross and net claims is attributable to Property business interruption Covid-19 claims.

The gross incurred loss ratio of the West Africa Regional Office decreased from 64.6% in 2019 to 43.5% in 2020. The net incurred claims ratio decreased from 53.3% in 2019 to 49.3% in 2020.

The gross and net incurred loss ratios of the East Africa Office increased to 55.9% and 56.1% in 2020 up from 55.0% and 55.4% in 2019 respectively.

The Maghreb region's loss ratio (gross and net) decreased to 51.1% and 55.3% in 2020 compared to 59.6% and 57.3% in 2019 respectively.

The incurred loss ratios of North East Africa reduced from 34.8% (net: 53.6%) in 2019 to 30.8% (net: 52.2%) in 2020.

The gross incurred claims ratio of the predominantly Francophone West and Central Africa Office increased from 35.1% to 36.3% in 2020. However, the net incurred claims ratio decreased from 51.1% in 2019 to 50.5% in 2020. The gross incurred claims ratio increased due to increased frequency and severity of claims settled during the year.

The gross claims ratio of the African Indian Ocean Islands and Portuguese speaking African countries (Angola and Mozambique) increased from 69.3% (net: 75.5%) in 2019 to 170.0% (net: 170.5%) in 2020.

The gross incurred claims ratio of Africa Retakaful increased to 75.5% in 2020 (net: 74.2%) from 66.3% in 2019 (net: 70.1%).

The gross and net incurred loss ratios of the international operations increased from 98.2% and 77.8% in 2019 to 111.8% and 106.4% in 2020. The increase was mainly driven by the Middle East and South America with gross and net incurred loss ratios of 103.7% and 114.3% for the Middle East and 148.5% and 151.7% for South America respectively.

Commissions and Charges

Gross commissions and charges including movement in deferred acquisition costs amounted to US$216.5 million (2019: 227.3 million), while retrocession commissions and charges stood at US$30.3 million (2019: US$29.8 million). Accordingly, net commissions and charges decreased from US$197.4 million in 2019 to US$186.3 million in 2020.

III. INVESTMENT INCOME

Portfolio performance

COVID-19 shaped geopolitical trends and economic activity in 2020. Despite the ease in trade tensions between US and China, the world witnessed one of the worst economic slowdowns in recent memory. Central banks responded to this economic shock with some of the largest stimulus packages. Governments also responded with fiscal packages, enforcement of safety measures and vaccine roll-out to prevent further spread of the pandemic. For example, the Federal Reserve of the United States of America cut its target interest rate to near zero in 2020 and launched a massive quantitative easing programme. The European Central Bank accelerated asset purchases to help the Eurozone. The People's Bank of China cut short term funding rates. African countries responded with similar economic measures with South Africa cutting rates by 300 basis points in total. Nigeria cut its key interest rate in 2020 in an attempt of boost the economy by providing cheaper credit.

Global economic growth is projected at 6% in 2021 by the International Monetary Fund. It is expected to moderate at 4.4% in 2022. Growth projections are anchored on the assumption that there will be continued fiscal support by major economies and that mass vaccination campaigns will be successful. However major uncertainty clouds these projections.

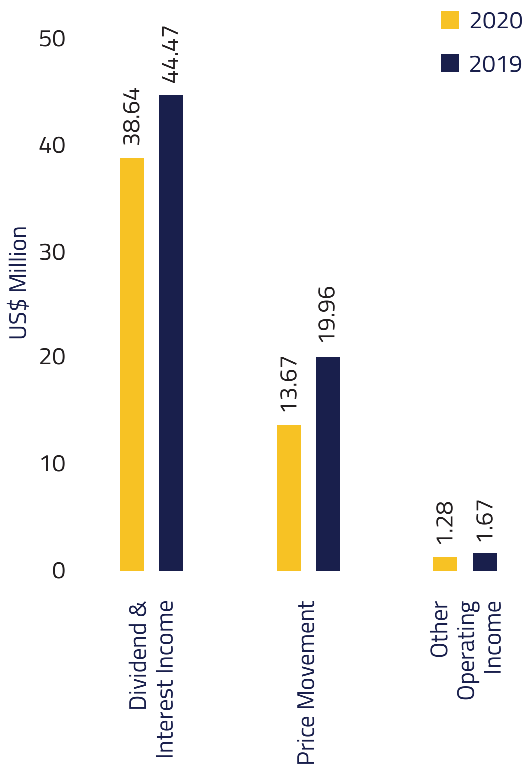
The performance of commodity markets was diverse. The average prices of key export commodities had a mixed performance when compared to 2019.

- The average prices of crude oil & natural gas were lower by 15% and 29% respectively.
- The average prices of tea & coffee were 11% lower when compared to 2019.
- Cocoa beans recorded a price increase of 11% when compared to 2019 average prices.
- The average prices of gold were 8% higher than in 2019.
- The average prices of base metals decreased slightly to 4% compared to 2019.

On the currency markets, the US dollar Index recorded a negative performance of 6.69%. A review of the performance of the major transactional African currencies indicates that most of them depreciated against the US dollar creating a loss on foreign exchange elements.

The value of the investment portfolio at the end of December 2020 stood at US$1.40 billion (Dec. 2019: US$1.28 billion). The portfolio was positively impacted by a good premium collection, investment income and modest loss on currency depreciation. Management continues to prudently manage the assets of the Corporation in line with the approved investment policy and guidelines.

Investment & Other Income



The Corporation was able to achieve a commendable return on invested assets during 2020 despite the economic effect of the COVID-19 pandemic. Total investment and other income reached US$53.59 million (Dec. 2019: US$66.10 million) and is mainly explained by lower interest income on fixed income products, lower dividend income and lower gains on market movement compared to 2019. Consequently, the investment portfolio posted an average return of 3.91% (Dec. 2019: 5.26%).

Asset composition

As at the end of December 2020, the allocation of the investment portfolio is in line with the Corporation's asset allocation guidelines.

The allocation to equity securities stood at 10% of the investment portfolio which is slightly lower than its value in December 2019.

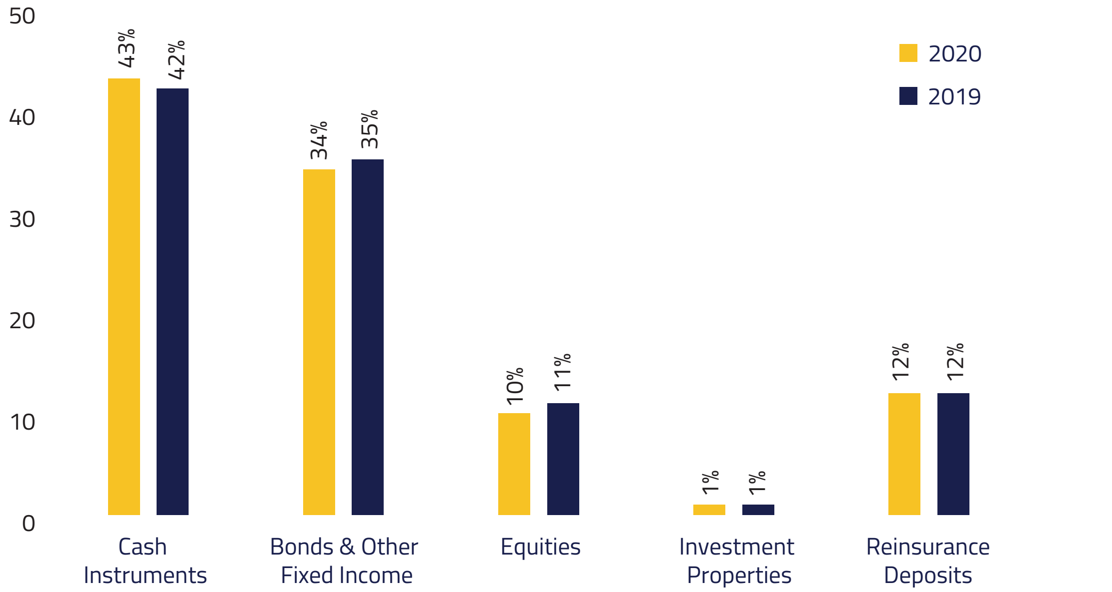
The weight of the bond portfolio decreased to 34% compared to 35% recorded in December 2019. This is attributable to the liquidation of some bonds denominated in African currencies.

The value of investment property increased by 31.24% from US$13.73 million in December 2019 to US$18.03 million in December 2020 due to the completion of building works for the new property in Mauritius. However, its weight remained at the same level of 2019 at1%.

Deposits with ceding companies stood at 12%, similar to December 2019.

The proportion of cash instruments increased marginally to 43% in December 2020 compared to 42% in December 2019 due to additional cash receipts.

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$55.09 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)

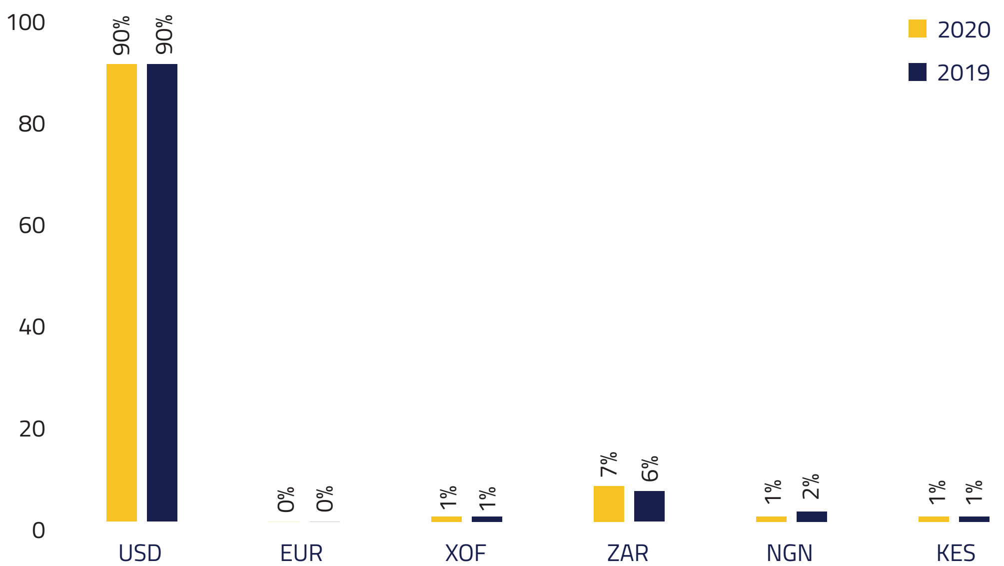
1 B3i Services AG was incorporated in 2018 and is 100% owned by 20 insurance market participants around the world. Altogether, more than 40 companies are involved in B3i as shareholders, customers, and community members. Our vision is to see the insurance market deliver better solutions for end consumers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

Equities

The year 2020 was certainly one of the most surprising for equity markets. From a near total collapse in March 2020, most developed equity markets recovered by the end of the year to post positive price movements. Indeed, 2020 was challenging but was also a year of discovery through resilience and innovation. Technology companies had their best performances ever.

The equity portfolio is made up of listed and non-listed securities. Its value increased by 3.58% compared to December 2019 supported by positive valuations.

Currency Exposure of Equity Portfolio



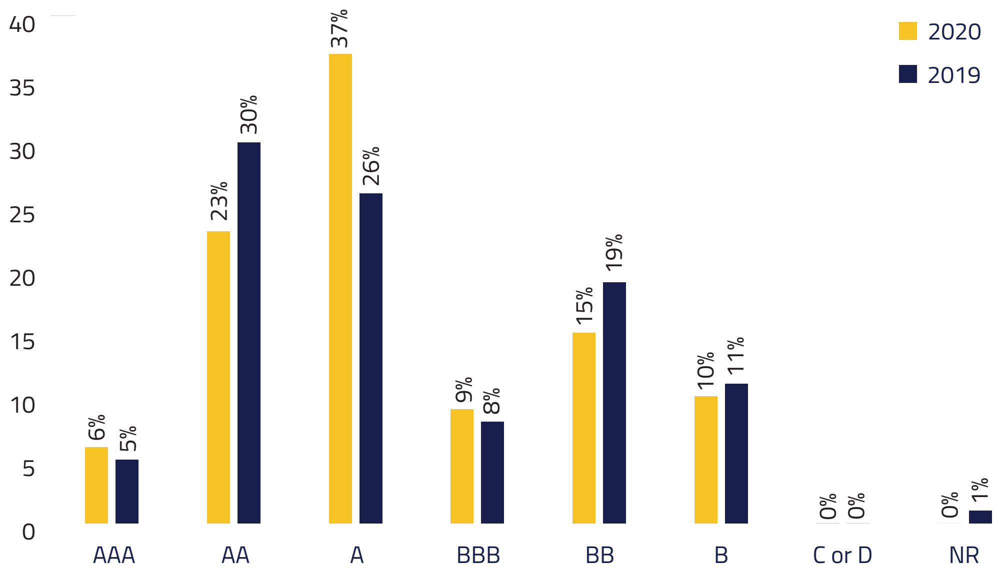
Looking at the currency exposure of the equity portfolio, the US dollar remains the most preferred investment currency.

Bonds and other fixed income

The global bond market was also impacted by the interventions of central banks. Yields were generally low across the globe, with some registering negative yields as in the case of Europe. However, valuations were good with price gains in bond portfolios, thanks to falling interest rates.

The size of the bond portfolio increased by 7.69% Year on Year from US$441.81 million in December 2019 to US$475.78 million as at December 2020. This movement is mainly explained by the new mandate of US$40 million Floating Rate Notes put in place in April 2020. The bond portfolio remained well diversified across sectors, issues, maturities, markets and managers. The average duration is 4.8 years, while weighted average rating stood at "A". 75% of the bond portfolio is investment grade. Non-rated (NR) bonds are securities that are not rated by either S&P, Moody's or Fitch but are highly rated locally. Their share in the portfolio is less than 1%. The bonds rated "BB" and "B" are African issues (Corporate and Sovereign).

Bond Portfolio Credit Profile



Cash and Cash Instruments

Cash instruments recorded a positive income for the year 2020 despite a drop compared to 2019. The full year result reached US$19.47 million compared to US$ 22.99 million recorded in 2019. The performance of cash instruments can be attributed to the general interest rate cut observed in most countries. However, it remained at a good level because of effective liquidity management.

Other Operating Income

Other operating income (management fees received from Aviation, Oil & Energy, EAIPN Pools, sundry income) recorded during the year amounted to US$ 1.28 million (2019: US$1.67 million).

IV. RESULTS OF THE 2020 FINANCIAL YEAR

Gross written premium income in 2020 of US$804.774 million (2019: 844.786 million) was a decline of 4.74% when compared to 2019 in US dollar terms. This decline was primarily caused by the depreciation of African currencies against the US dollar during most of 2020. Adjusting for movement in unearned premium reserves, the **gross earned premium** recorded in 2020 was US$811.753 million (2019: US$822.722 million).

The Corporation's retrocession policy continues to rely on Excess of Loss programmes to protect the **net retention** in its traditional acceptances, while purchasing additional covers for large risks in the **oil & gas** sector as well as other special risks. During the year, the total net premium ceded to retrocessionnaires was US$156.375 million (2019: US$149.382 million) being an increase of 4.68% over the 2019 retrocession. This year on year increase is solely attributable to the Oil & Gas risks written in 2020. Consequently, the **net earned premium** for the year was US$655.378 million (2019: US$673.340 million), being a decline of 2.67% when compared to the 2019 performance.

Gross claims paid in 2020 amounted to US$ 413.973 million (2019: US$461.122 million), a decrease of 10.22%. This decrease was driven by improvements in the quality of the underwriting portfolio with the gross claims paid ratio of 51.00% (2019: 56.05%) recording a positive improvement. The recovery of claims paid from our retrocessionnaires amounted to US$ 64.302million (2019: US$73.242 million). This translates to a stable recovery ratio of 15.53% (2019: 15.88%). Consequently, the **net claims paid** stood at US$349.671 million (2019: US$387.880 million), being an improvement of 9.85% which is very much in line with the improvement seen in gross claims paid.

Net claims incurred for the year amounted to US$404.967 million (2019: US$401.333 million) remaining largely flat year on year. This is mostly attributable to the impact of large losses together with Covid 19 related claims reserves which were significant but not large enough to reach the group retrocession programme attachment point. Further, the impact of prior year reserve releases for which there was retrocession recoveries resulted in lower retro recoveries during 2020. Consequently, the **net incurred claims ratio** for the year stood at 61.79% (2019: 59.60%).

Gross acquisition costs in 2020 amounted to US$216.586 million (2019: US$227.269 million) representing a decrease of 4.70% when compared to 2019. This decrease is generally in line with the decrease in premium income during the year. On the other hand, commissions & brokerage recovered from retrocessionnaires amounted to US$30.309 million (2019: US$29.834 million), being a marginal improvement of 1.59% when compared to 2019. As a result, the **net acquisition cost** for the period closed at US$186.277 million (2019: US$ 197.434 million). The **net acquisition cost ratio** was generally stable at 28.42% (2019: 29.32%) when compared to 2019, albeit with a marginal improvement.

The **net underwriting result before management expenses** for the year stood at US$ 64.135 million (2019: US$ 74.572 million), being a decline of 14.00%. **Management expenses** for the year totaled US$50.097 million (2019: US$48.591 million), increasing by 3.10% year on year. The increase was solely due to an increase in provisions for doubtful debts as the Corporation continues to strengthen the quality of its balance sheet. All other areas of expenditure recorded moderate savings. Overall, the **management expense ratio** deteriorated to 7.65% (2019: 7.22%) through the combination of declining net earned premiums and the increase in management expenses due to provisioning for doubtful debts.

Income earned by the Corporation from investment and other sources, including interest on reinsurance deposits stood at US$53.591 million (2019: US$66.102 million), being a decrease of 18.93%. The performance was driven by lower interest income on fixed income products, lower dividend income and lower gains on market movement compared to 2019. The lower yield on all asset classes was as a result of the economic slowdown following the outbreak of Covid 19. Consequently, the investment portfolio posted an average return of 3.91% (Dec. 2019: 5.26%).

Foreign currency exchange differences arising from revaluation of monetary assets and liabilities against the various functional currencies resulted in a net loss of US$9.247 million (2019: net gain of US$9.758 million). This was mainly driven by the depreciation of almost all of our operating currencies following the outbreak of Covid 19 and the resulting economic pressure.

Income tax charge for the year amounted to US$2.672million (2019: 1.937 million) incurred in South Africa where the Corporation is liable to pay tax.

Consequently, **profit after tax** in 2020 amounted to US$55.709 million (2019: US$99.904 million) being a decline of 44.24% year on year.

Total comprehensive income for the year stood at US$69.060 million (2019: US$ 78.916 million) after adjusting the profit after tax for positive movements in **exchange gains/losses on the translation of foreign operations** whose amount was US$11.964 million (2019: negative movement of US$23.317 million) and positive movement of US$1.387 million (2019: US$2.329 million) in the **revaluation of available for sale assets**.

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 2020 net profit of US$ 55,709,000 be distributed as follows:

- US$27,855,000 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$800,000 to be transferred to the reserve for loss fluctuation in accordance with the decision taken by the Board during its 57th meeting to set aside an amount over and above the outstanding claims provision to moderate the effects of possible fluctuation in losses in future;
- US$ 1,114,000 to be transferred to the Africa Re Foundation as 2% of the net profit;
- US$ 25,156,000 to be paid as dividend at the rate of US$ 8.80 per subscribed and paid-up share of US$100 par value.
- The balance of US$ 784,000 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 regulatory framework called Solvency Assessment and Management (SAM), which is similar to the European Solvency II and is based on economic principles in the measurement of assets and liabilities. Solvency Assessment Management sets out requirements for governance, risk management, supervision, disclosure and transparency. South Africa commenced implementation of SAM in June 2018. Africa Re continues to follow the development of SAM in order to comply with the requirements in South Africa and adopt best practices for its Group operations.

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

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

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

Financial strength ratings

Rating Agency	Financial strength rating	Counterparty/ issuer credit Rating	Outlook	Last press release/ report date
A.M. Best	A	a	Stable	December 15, 2020
Standard & Poor's	A-	A-	Stable	January 20, 2021

A.M. Best affirmed on 15 December 2020 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, favourable 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 20 January, 2021. According to S&P,

"The affirmation reflects our view that Africa Re continues to maintain its strong competitive position within Africa. It enjoys a strong brand and reputation with many cedants across Africa, a key differentiator relative to other international and regional players on the continent."

"At the same time, the group continues to benefit from its 'AAA' risk-based capital and highly liquid assets relative to balance sheet risks and liabilities, respectively"

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

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

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

- 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 90 to 98).

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.

VIII. CORPORATE GOVERNANCE

Overview

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

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

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

Corporate Governance Framework

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

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

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

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

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

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

In 2020, the Board had its first Independent Director (Mr Moustapha COULIBALY).

Shareholding

Shareholding Structure as at 31 December 2020

Shareholder	Number of Shares	In %
41 Member States	986,627	34.51
African Development Bank (AfDB)	240,000	8.40
113 African insurance and reinsurance companies	971,984	34.00
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 The Corporation's policy consists in steadily growing capital with retained profit and additional equity from existing shareholders and selected potential investors. Therefore, from an initial paid-up capital of US$ 100 million in 2010, a call of the first portion of the capital of US$ 200 million was made in 2010 by issuing 1,000,000 new shares and distributing 1,000,000 bonus shares to existing shareholders.

The authorized capital stands at US$ 500 million as at 31 December 2020 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 at least twenty-one (21) days or at most forty five (45) days after the first meeting in the case of the ordinary general meetings and at least seven (7) days or at most thirty (30) days after the first meeting in the case of extraordinary meetings. The notice for the second meeting shall be sent within seven (7) days after the first meeting. The shareholders present at the second meeting shall have the right to pass valid resolutions whatever the number of shares they represent.

Notice & Agenda of the General Assembly

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

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

Board of Directors

Board of Directors – Composition

The Board of Directors is currently chaired by Mr Hassan BOUBRIK and comprises 12 substantive members out of a total of 14 seats. Directors are elected by the General Assembly for a period of three years and may be re-elected at the expiration of the term. They shall continue in office until their successors are elected.

The table below contains the current members of the Board of Directors of the Corporation as at 31 December 2020 as well as the constituencies/group of shareholders which they represent.

Name & Nationality	Constituency
Mr Hassan BOUBRIK Moroccan	Morocco: state and companies
Mr Aguinaldo JAIME Angolan	East and Southern Africa and Sudan (12 states)
Dr Mohamed Ahmed MAAIT Egyptian	Egypt: state and companies
Mr Boubacar BAH Guinean	Francophone West and Central Africa (states and companies)
Mr Kamel MARAMI Algerian	Algeria: state and 4 companies
Vacant*	Anglophone West Africa (companies and 4 states) and East and Southern Africa (companies)
Mr Hafedh GHARBI Tunisian	Libya, Mauritania and Tunisia (states and companies)
Mr Sunday Olorundare THOMAS Nigerian	Nigeria: state and companies
Mr Joseph VINCENT Belgian	African Development Bank (AfDB)
Mr Hassan SHABRAWISHI Egyptian	AXA
Mr Jean CLOUTIER Canadian	FAIRFAX
DR Coenraad Christiaan VROLIJK Dutch	ALLIANZ SE
Mr. Moustapha COULIBALY	Independent Director
Independent Director B**	Independent Director

* Vacant board seat pursuant to Article 15.3 of the Agreement Establishing Africa Re.
** As at 31 December 2020, the recruitment process for Independent Director B was 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 113 African insurance and reinsurance companies), with AfDB entitled to a permanent seat.
- Three (3) for Class "B" Shareholders (3 non-African investors).
- Two (2) Independent Directors.

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

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

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, a self-assessment of the Board took place in the third quarter of 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 2020

The Board of Directors met four times in 2020. The four meetings were held virtually, on the Zoom platform, due to travel restrictions as a result of the Covid-19 pandemic. The average attendance rate was 95%.

Executive Management

The Executive Management comprises the following members as at 31 December 2020:

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 practices 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 2020, the Foundation implemented the following recurrent and non-recurrent initiatives to achieve its strategic goals.

Covid-19 Pandemic in Africa

The Africa Re Foundation committed a total of US$3,320,000 to support the fight against Covid-19 pandemic in Africa. The Covid-19 pandemic intervention was designed to be executed in collaboration or in partnership with international organizations (African Union, World Health Organisation), 8 host countries of Africa Re and 41 African insurers associations.

Education and Training

- Five hundred and forty seven (547) insurance professionals were trained on insurance, reinsurance and related courses through the Young Insurance Professionals Programme (YIPP). They were equipped with industry required knowledge and skills that will facilitate higher job performance and improve productivity.

Insurance Industry Development

- The Foundation sponsored the 2020 Edition of the African Insurance Awards (AIA) during which it celebrated and rewarded insurance industry achievers: CEO of the Year (Mr. Valentine OJUMAH, FBN Insurance Nigeria); Insurance Company of the Year (MUA Ltd., Mauritius); Innovation of the year (Alpha Direct Insurance Company, Botswana); and Insurtech of the year (PULA, kenya).

Research and Development

- The Foundation sponsored the publication of the Africa Pulse Publication Series 2020, a knowledge based initiative that is geared towards the development of the insurance industry in Africa. The 2020 edition (theme: the digitization of Africa's insurance markets) was published and circulated among the relevant stakeholders in the industry.
- The Foundation continues to support the Financial Regulatory Authority (FRA) of Egypt in the building of the first actuarial tables for the life insurance industry in the country.

Community Development

- The Foundation sponsored the acquisition and installation of mobile clinics in the Republic of Rwanda to enhance healthcare service delivery in the country.

XI. Human Resources and Compensation

Human Resources

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

The Corporation operates a centralized HR environment to support the key business initiatives, recruit and develop talented professionals, grow performance capabilities, provide best practices that contribute to high level employee engagement and organizational development in order to deliver 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 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, 2020

Locations	Establishment							
	MGT	ES	PS	LP	SS	MS	Total	Temp
Head Office	**2**	**7**	**28**	**0**	**27**	**10**	**74**	**11**
Abidjan Regional Office		1	4	0	11	2	18	1
Addis Ababa Regional Office			1	0	1	1	3	
Cairo Regional Office			6	0	16	2	24	
Casablanca Regional Office		1	4	0	12	3	20	
Lagos Regional Office			6	0	16	2	24	4
Mauritius Regional Office			4	0	11	4	19	
Nairobi Regional Office		2	12	0	19	2	35	3
South Africa Subsidiary Office (ARCSA)		2	14	0	16	5	37	2
Total (Regional offices)		**6**	**51**	**0**	**102**	**21**	**180**	
Total (with Head Office)	**2**	**13**	**79**	**0**	**129**	**31**	**254**	**21**
Percentage %	0.79%	5.12%	31.10%	0.00%	50.79%	12.20%	100%	

Diversity

Africa Re encourages diversity and inclusiveness as it ensures equal employment opportunities to citizens of all member states across Africa. The staff of the Corporation cuts across twenty-six (26) nationalities in Africa. The Corporation also promotes gender equality amongst its workforce.

Table C: Gender Distribution of Staff

Location	Male	Female	Total
Head Office	56	18	74
Abidjan Regional Office	12	6	18
Addis Ababa Regional Office	2	1	3
Cairo Regional Office and Africa Retakaful	14	10	24
Casablanca Regional Office	15	5	20
Lagos Regional Office	16	8	24
Mauritius Regional Office	10	9	19
Nairobi Regional Office	22	13	35
South Africa Regional Office	19	18	37
Grand Total	**166**	**88**	**254**
Percentage %	**65%**	**35%**	**100%**

Compensation

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

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

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

Compensation and Rewards were reviewed in 2020 to alleviate the erosion in real income of staff caused by local currency devaluation/currency fluctuation and hyper-inflation in some of Africa Re's operating locations.

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

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

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

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

The Board of Directors of Africa Re has set up an Audit Committee and an Underwriting, Risk Management & IT Governance Committee to monitor the internal controls and risk management practices within the Group. The Committees are made up of non-executive Directors who are independent of Management. They meet periodically with Management, external auditors, internal auditors, Chief Risk Officer and technical inspectors to review their reports and ensure that they are effectively carrying out their respective responsibilities. The external auditors, internal auditors, 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
Group Managing Director / CEO

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 2020, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

African Reinsurance Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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

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 ($700.7 million) - see notes 3c, 3e, 7 and 13 Management employs the services of an internal expert for the purposes of determining its actuarial liabilities in estimating technical provisions. The estimation of technical provisions involves a significant degree of judgement about future events of uncertain future outcomes. The liabilities are based on the best-estimate of the ultimate cost of all Incurred Claims Liabilities (ICL) but not settled at a given date, whether reported or not and provision for unearned premium reserve (UPR). Below, we comment on IBNR (Incurred But Not Reported) reserves which we consider to be the most judgemental aspect of technical provisions. Management calculates IBNR based on generally accepted actuarial methods such as: • Chain Ladder Method • Expected Loss Ratio Method • Bornhuettor-Ferguson Method • Cape Cod Method Judgments applied included calculation of ultimate loss ratio, the estimation of the impact of large claims and the determination of allowance for retrocession share of the claim reserve. With regard to the determination of retrocession share of claims reserve, the company has used the retrocession to gross premium and claim proportion, and have applied those percentages to calculate the release in IBNR due to retrocession.	We obtained the actuarial calculations from management's internal actuarial experts and performed the following procedures: • assessed the competence of management's internal actuarial expert; • understood and evaluated management's process for estimating technical provisions; • understood, evaluated and tested key controls over underwriting and claims process and performed detailed substantive testing over premiums, claims paid and outstanding claims; and • tested the accuracy, completeness and appropriateness of the underlying data used in the actuarial valuations by performing checks between the data recorded in the financial statements and actuarial data used by management's experts With help from our actuarial experts, we assessed the reasonableness of the corporation's methodology for estimating technical provisions and tested IBNR reserve as follows: We performed an independent calculation of claims reserves using paid and incurred claims triangles provided by the Corporation as follows: • For all classes of business, we used the Bornhuettor Ferguson Method, Basic Chain Ladder Method and the Expected Loss Ratio Method based on what was appropriate for the particular Line of Business. • Certain exceptionally large claims were excluded from the claims triangles as these claims distort the reserves significantly. We independently calculated an estimate of the claims liability at a line of business level; and

pwc

	We checked the appropriateness of the methodology used to determine retrocession share of claims reserve and independently carried out a re-computation. We assessed the financial statement disclosures for reasonableness.
Valuation of reinsurance receivables ($146.5 million) – see notes 3c, 3j and 6 The valuation of the group's reinsurance receivable requires significant judgement in determining the amount to reflect the credit risk exposure to reinsurance receivables. Management's impairment model considers the ageing of its reinsurance receivables and collection history. It also considers the length of time the receivable has been due as well as the financial condition of the debtor. Management performs periodic reconciliations with existing cedants and considers the results in the impairment assessment.	We adopted a substantive approach in order to assess the recoverability of the reinsurance receivables. We assessed the reasonableness and appropriateness of the impairment methodology and assumptions used in testing the recoverability of the reinsurance receivables. Specifically, we: 1 tested the ageing analysis of the gross receivable performed by management by selecting samples and checking to supporting documentation; 2 evaluated the existing relationship between the company and selected cedants (including the collection history) and assessed the financial condition of the cedants. 3 developed a point estimate which was compared to management's valuation of the group's reinsurance receivables; and We assessed the financial statements disclosures for reasonableness

Other information

The directors are responsible for the other information. The other information comprises About Us, Mission, Value Proposition, Diversified Shareholding, Recent Recognition & Awards in 2020, Financial Highlights, Results 2016 – 2020, Financial Position 2016-2020, 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, Premium Income, Legal (Compulsory) Cessions, Geographical Distribution, Sectorial Distribution, Technical Expenses, Investment Income, Portfolio Performance, Asset Composition, Long Term Investments, Equities, Bonds and other Fixed Income, Cash & Cash Instruments, Other Operating Income, Enterprise Risk Management (ERM), Corporate Governance, Compliance, Corporate Social Responsibility, Human Resource 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.

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.
- 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

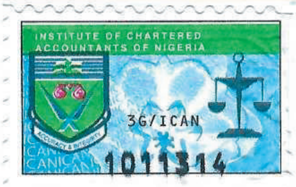
pwc

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



18 June 2021

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 2020

	Notes	2020 US$'000	2019 US$'000
Assets			
Cash and cash equivalents	25	294,795	303,298
Investments	4	1,087,862	961,947
Premium income receivable		58,960	59,353
Deferred acquisition costs	5	60,762	60,978
Reinsurance receivables	6	146,552	166,076
Retrocessionaires' share of technical provisions	7	121,062	139,508
Sundry receivables		9,962	22,180
Tax recoverable	23	490	2,478
Investment properties	8	18,026	13,735
Property and equipment	9	35,864	38,784
Intangible assets	10	2,341	2,643
Total assets		**1,836,676**	**1,770,980**
Liabilities			
Sundry payables	26	17,144	17,501
Dividend payable	24	9,415	5,157
Reinsurance payables	11	85,605	94,919
Deferred tax	12	123	177
Deferred retrocession commission		6,599	6,275
Technical provisions	13	700,684	671,753
Total liabilities		**819,570**	**795,782**
Shareholders' funds			
Retained earnings		234,077	234,174
Other reserves	14	281,061	239,056
Share premium		216,107	216,107
Share capital	15	285,861	285,861
Total shareholders' funds		**1,017,106**	**975,198**
Total liabilities and shareholders' equity		**1,836,676**	**1,770,980**

The financial statements on pages 57 to 105 were approved and authorised for issue by the Board of Directors of the Corporation on 24 April 2021 and were signed on its behalf by:

HASSAN BOUBRIK
Chairman

CORNEILLE KAREKEZI
Managing Director

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 2020

	Notes	2020 US$'000	2019 US$'000
Gross earned premium	16	811,753	822,722
Less: retrocession premium	16	(156,375)	(149,382)
Net earned premium	**16**	**655,378**	**673,340**
Investment income	17	52,310	64,432
Commissions earned under retrocession arrangements		30,309	29,834
Other operating income	18	1,281	1,670
Total income		**739,278**	**769,276**
Net claims incurred	19	**(404,967)**	**(401,333)**
Acquisition expenses	20	(216,586)	(227,269)
Administrative expenses	21	(50,097)	(48,591)
Net foreign exchange gain/(loss)	22	(9,247)	9,758
Profit before income tax		**58,381**	**101,841**
Income tax charge	23	(2,672)	(1,937)
Profit for the year		**55,709**	**99,904**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		11,964	(23,317)
Net fair value gain on revaluation of available-for-sale financial assets		1,387	2,329
Total other comprehensive Gain/(loss)		**13,351**	**(20,988)**
Total comprehensive income for the year		**69,060**	**78,916**

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

Consolidated statement of changes in equity for the year ended 31 December 2020

	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 2020	**234,175**	**(168,618)**	**336,558**	**8,021**	**6,294**	**56,800**	**239,055**	**216,107**	**285,861**	**975,198**
Profit for the period	55,709	-	-	-	-	-	-	-	-	55,709
Other comprehensive income	-	11,964	-	1,387	-	-	13,351	-	-	13,351
	55,709	**11,964**	**-**	**1,387**	**-**	**-**	**13,351**	**-**	**-**	**69,060**
Dividend declared for 2019 (Note 24)	(25,156)	-	-	-	-	-	-	-	-	(25,156)
Corporate social responsibility fund	(1,996)						-			(1,996)
Transfer to reserves	(28,655)	-	27,855	-	-	800	28,655	-	-	-
	(55,807)	**-**	**27,855**	**-**	**-**	**800**	**28,655**	**-**	**-**	**(27,152)**
At 31 December 2020	**234,077**	**(156,654)**	**364,413**	**9,408**	**6,294**	**57,600**	**281,061**	**216,107**	**285,861**	**1,017,106**
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**

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

Consolidated statement of cash flows for the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Cash generated from operations	25	78,643	84,056
Income tax paid	23	(733)	(2,148)
Net cash from operating activities		77,910	81,908
Cash flows from investing activities			
Purchase of property and equipment	9	(3,533)	(3,321)
Purchase of intangible assets	10	(362)	-
Purchase of investments		(94,376)	(110,345)
Interest received net of management fees		38,708	35,139
Dividend received		999	4,541
Proceeds of disposal of property and equipment		63	74
Net cash used in investing activities		(58,501)	(73,912)
Cash flows from financing activities			
Proceeds from share subscription		-	2,358
Dividends & Corporate Social Responsibility Fund paid	24	(22,894)	(24,579)
Net cash used in financing activities		(22,894)	(22,221)
Net decrease in cash and cash equivalents		(3,485)	(14,225)
Movement in cash and cash equivalents:			
At start of year		303,298	338,512
Net decrease in cash and cash equivalents		(3,485)	(14,225)
Net exchange losses on cash and cash equivalents		(5,018)	(20,989)
At end of year	25(b)	**294,795**	**303,298**

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 2020

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/ Amendments	Effective date	Changes or Amendments
Amendment to IFRS 3 Busines Combinations	1 January, 2020	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. In October 2018, the International Accounting Standards Board (IASB) issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Standards/ Amendments	Effective date	Changes or Amendments
Amendment to IAS 1 & 8 Definition of Material	1 January, 2020	The Amendment to IAS 1 and 8 is to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. The amendments must be applied prospectively for annual periods beginning on or after 1 January 2020.
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform Financial instruments	1 January, 2020	The amendment provides certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offer Rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January, 2020	The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the reform of benchmark interest rates, such as interbank offer rates (IBORs). In addition, the amendments require an entity to provide additional information to investors about its hedging relationships which are directly affected by any such uncertainty.

ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2021 and future annual periods

New standards and Amendments to standards	Effective for annual periods beginning on or after
Amendments to IAS 1	
Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023

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

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

More specifically:

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

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

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts.

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

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

The Corporation is presently in the process of engaging consultants for the implementation of the standard having completed the impact assessment which outlined the resources required to implement the new standard along with IFRS 9.

IFRS 9 Financial Instruments

In line with the provisions of IFRS 4 – Insurance Contracts, the Corporation has elected to apply the temporary exemption from IFRS 9 and qualifies for the temporary exemption based on the following:

a) its activities are predominantly connected with insurance contracts,

b) the carrying amount of its liabilities arising from insurance contracts and insurance connected liabilities for the group sum up to US$792.89 million as at 31 December 2020 (31 December 2019: US$772.95 million), which represents 96.74% (2019: 97.13%) of the total carrying amount of all its liabilities as at 31 December 2020 (US$819.57 million) and 31 December 2019 (US$795.78 million) respectively;

c) as at 31 December 2015, which is the reporting date that immediately precedes 1 January 2016, the carrying amount of the Corporation's liabilities arising from insurance connected contracts was US$571.98 million, which represents 96.20% of the total carrying amount of all its liabilities (US$594.39 million) as at that date.

iii) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in 2020.

3. Summary of significant accounting policies

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

A. Basis of preparation

Statement of compliance

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

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

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

B. Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

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

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

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

(iii) Disposal of subsidiaries

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

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

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

C. Use of estimates in the preparation of financial statements

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

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

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

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

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

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

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

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

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

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

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

D. Classification of insurance contracts

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

E. Recognition and measurement of insurance contracts

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

(i) Short-term insurance contract premium

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

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

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

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

(iii) Claims arising from short-term insurance contracts

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

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

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

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

(v) Claims arising from long-term insurance contracts

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

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

F. Property and equipment

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

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

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

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

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

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

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

G. Intangible assets

(i) Computer software

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

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

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

(ii) Deferred acquisition costs and deferred retrocession commission

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

H. Investment property

Property held for long-term rental yields that is not occupied by 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:

i) Loans and receivables

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

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

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

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

iii) Held to maturity investments

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

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

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

iv) Available for sale financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

Financial liabilities at FVTPL

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

Other financial liabilities

Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance 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 should be refurbished or replaced. Costs of refurbishment are capitalised if there is objective evidence that such refurbishment will result in an increase in the useful life of the asset, otherwise, it will be treated as expense in the statement of profit or loss. Others are derecognised through disposal and replaced.

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

M. Other receivables and prepayments

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

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

N. Foreign currency translation

(i) Functional and presentation currencies

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

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

(a) the currency:

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

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

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

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

(ii) Foreign currency translation

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

At the end of each reporting period:

a) foreign currency monetary items shall be translated using the closing rate,
b) non monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, and
c) non monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

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

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
b) income and expenses for each profit and loss account are translated at average exchange rates prevailing over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
c) all resulting exchange differences are recognised in the translation reserve in equity.

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

O. Leases

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

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

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

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

	2020 US$'000	2019 US$'000
i) Investments by category		
Held to maturity		
Bank deposits	300,137	236,845
Deposits with ceding companies	171,732	147,931
Fixed rate securities held to maturity	297,785	264,442
Floating rate securities at cost	41,132	34,515
	810,786	683,733
Fair value through profit or loss		
Fixed rate securities at fair value through profit or loss	95,400	142,857
Floating rate securities at fair value through profit or loss	41,466	-
Quoted equity investments at fair value through profit or loss	83,221	81,654
	220,087	224,511
Available for sale		
Unquoted equity investments at fair value	56,053	52,849
Unquoted equity investments at cost less impairment	936	854
	56,989	53,703
	1,087,862	**961,947**
Comprising:		
Current portion	432,400	381,648
Non-current portion	655,462	580,299
	1,087,862	**961,947**

Fixed rate securities held to maturity are presented in the Group's statement of financial position at their amortized costs as at 31 December 2020 of US$297,785,331 (2019: US$264,441,880). The fair value of the Held to Maturity assets as at 31 December 2020 was US$313,168,804 (2019: US$266,405,549).

Unquoted equity investments are valued at fair value through OCI of US$56,052,516 (2019:US$52,848,662).

Unquoted equity held at cost were not impaired within the year. Its value is US$936,417 (2019: US$853,970).

Unquoted equity valued at cost less impairment relate to investment in a new insurance company that commenced operations recently. The first set of audited financial statements of the company are due in 2021 and its fair value cannot be reliably measured. There is also no active market for the shares of the company.

The Group's overall commitment in unquoted private equity investments as at 31 December 2020 was US$55,088,679 (2019: US$ 55,090,155).

ii) Weighted average effective interest rates

	2020 %	2019 %
Interest-bearing investments denominated in:		
US dollars	3.96	5.68
Euro	1.29	0.01
South African rand	6.76	8.11

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).

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

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

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

		2020	2019
5	**Deferred Acquisition Costs**	**US $'000**	**US $'000**
	At 1 January	60,978	55,230
	Exchange (loss)/gain on opening balance	(105)	82
		60,873	55,312
	Paid during the year	216,475	232,935
	Incurred during the year (Note 20)	(216,586)	(227,269)
	At 31 December	**60,762**	**60,978**
	Current portion	59,751	59,573
	Non-current portion	1,011	1,405
		60,762	**60,978**
6	**Reinsurance receivables**		
	Gross receivables arising from reinsurance arrangements	205,496	212,326
	Provision for impairment	(58,944)	(46,250)
		146,552	**166,076**
	Comprising:		
	Current portion	91,001	59,592
	Non-current portion	55,551	106,484
		146,552	**166,076**
7	**Retrocessionnaires share of technical provisions**		
	Claims recoverable	88,886	104,606
	Deferred retrocession premiums	32,176	34,902
		121,062	**139,508**
	Comprising:		
	Current portion	44,929	55,722
	Non-current portion	76,133	83,786
		121,062	**139,508**
	Claims Recoverable		
	At 1 January	104,606	93,687
	Recovered during the year	(64,381)	(73,242)
	Share of loss incurred during the year (Note 19)	48,661	84,161
	At 31 December	**88,886**	**104,606**
	Deferred retrocession premiums		
	At 1 January	34,902	21,145
	Retrocession premium paid during the year	153,649	163,139
	Retrocession premium utilised during the year (Note 16)	(156,375)	(149,382)
	At 31 December	**32,176**	**34,902**

		2020	2019
8	**Investment properties**	**US $'000**	**US $'000**
	Cost		
	At 1 January	16,263	9,619
	Transfer to buildings (Note 9)	-	(1,063)
	Transfer from buildings (Note 9)	4,660	7,707
	At 31 December	20,923	16,263
	Depreciation		
	At 1 January	2,528	2,632
	Transfer from buildings	-	(365)
	Charge for the year	369	261
	At 31 December	2,897	2,528
	Net book value	**18,026**	**13,735**
	The following amounts have been recognised in statement of profit or loss and other comprehensive income in respect of investment properties:		
	Net rental income (Note 17)	**1,549**	**1,503**

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

At 20 March 2020, the market value of the headquarters building was estimated at US$ 38.25 million (net book value: US$ 5.92 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

At 7 August 2020, the market value of the two residential buildings in Lagos was estimated at US$14.23 million (net book value: US$ 7.39 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

At 31 December 2019, the market value of the Casablanca regional office building was estimated at US$ 10.36 million (net book value: US$ 3.40 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. 75 million) based on a valuation by Knight Frank, a firm of Estate Surveyors.

Mauritius office building was completed in October 2020. The total cost of the Corporation's share was US$6.166 million.

Details of the group's investment properties and information about the fair value hierarchy as at 31 December 2020 as follows:

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

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

	Level 1	Level 2	Level 3	Fair value as at 31/12/2019
	US $'000	US $'000	US $'000	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.

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 2020:					
Cost					
At 1 January	**16,533**	**23,307**	**16,373**	**1,694**	**57,907**
Additions	2,300	699	379	155	**3,533**
Disposals	-	(111)	(353)	(103)	**(567)**
Transfer to Investment Property	(4,660)	-	**-**	-	**(4,660)**
At 31 December	**14,173**	**23,895**	**16,399**	**1,746**	**56,213**
Depreciation					
At 1 January	**-**	**4,599**	**13,274**	**1,250**	**19,123**
Depreciation charge	-	488	1,072	197	**1,757**
Disposals	-	(112)	(337)	(82)	**(531)**
At 31 December	**-**	**4,975**	**14,009**	**1,365**	**20,349**
Net Book Value	**14,173**	**18,920**	**2,390**	**381**	**35,864**
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**
At 31 December	**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**

Included in buildings and freehold land is a total amount of US$6,614,718 (2019: US$5,318,862) representing the carrying amount of the owner-occupied proportion of the Corporation's headquarters building in Lagos and regional office buildings in Nairobi, Casablanca and Mauritius. The assets under construction represent fixed assets in progress.

Included above are assets with a total cost of US$12,230,895 (2019: US$10,346,719) which were fully depreciated as at 31 December 2020. The normal depreciation charge on these assets would have been US$2,288,005 (2019: US$1,937,406).

10. Intangible Assets

	Computer Software	Computer Software in progress	Total
	US $'000	US $'000	US $'000
Year ended 31 December 2020:			
Cost			
At 1 January	4,621	1,964	**6,585**
Additions	362	-	**362**
At 31 December	**4,983**	**1,964**	**6,947**
Amortisation			
At 1 January	3,942	-	**3,942**
Charge for the year	664	-	**664**
At 31 December	**4,606**	**-**	**4,606**
Net book value	**377**	**1,964**	**2,341**

	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**

Included above are assets with a total cost of US$2,075,567 (2019: US$1,387,823) which were fully amortised as at 31 December 2020.

11 Reinsurance payables

	2020 US$'000	2019 US$'000
Payables under reinsurance arrangements	59,836	56,548
Payables under retrocession arrangements	25,769	38,371
	85,605	**94,919**
Comprising:		
- current portion	51,323	39,275
- non-current portion	34,282	55,644
	85,605	**94,919**

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:

	2020 US$'000	2019 US$'000
At 1 January	177	217
Exchange rate impact on opening balance	(5)	4
Credit to profit or loss (Note 23)	(49)	(44)
At 31 December	**123**	**177**

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

	01.01.20 US $'000	Charged to P/L US $'000	31.12.20 US $'000	31.12.19 US $'000
Excess depreciation over capital allowances	(98)	16	(82)	(98)
Unrealised gain on revaluation of investments	585	(248)	337	750
Accumulated losses	(309)	183	(126)	(309)
Exchange rate impact on opening balance	(7)		(6)	(211)
Reclassified to income tax payable	-	-	-	45
Net deferred tax liability	**171**	**(49)**	**123**	**177**

13 Technical provisions

i) Analysis of outstanding balances

	2020 US$'000	2019 US$'000
Provision for reported claims	442,450	437,298
Provision for claims incurred but not reported (IBNR)	122,160	91,020
Total provision for claims and IBNR	564,610	528,318
Cumulative translation reserve	(91,310)	(91,310)
Total outstanding claims	473,300	437,008
Provision for unearned premiums	227,384	234,745
	700,684	**671,753**
Comprising:		
- current portion	332,706	378,191
- non-current portion	367,978	293,562
	700,684	**671,753**

ii) Provision for reported claims and IBNR

	2020 US$'000	2019 US$'000
At 1 January	437,008	410,380
Exchange gain/(loss) on opening balance	(3,363)	2,255
	433,645	412,635
Paid during the year	(413,973)	(461,121)
Incurred during the year (Note 19)	453,628	485,494
At 31 December	**473,300**	**437,008**

iii) Provision for unearned premium

	2020 US$'000	2019 US$'000
At 1 January	234,745	212,375
Exchange gain/(loss) on opening balance	(382)	307
	234,363	212,682
Paid during the year	804,774	844,785
Incurred during the year (Note 16)	(811,753)	(822,722)
At 31 December	**227,384**	**234,745**

ii) Analysis of outstanding claims reserve development per underwriting year

U/W YR	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	2020 US$'000
Gross technical provision	**261,164**	**273,011**	**332,025**	**320,708**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**	**378,240**	**332,706**
Gross paid (Cumulative):											
1 year later	120,923	109,553	127,919	141,640	137,782	119,797	139,091	180,724	160,703	139,180	-
2 years later	182,164	176,775	176,723	193,990	185,366	192,806	246,051	258,467	232,975	-	-
3 years later	202,164	197,220	210,569	211,660	202,682	222,112	284,952	301,437	-	-	-
4 years later	213,279	206,520	220,543	217,154	214,525	255,789	327,833	-	-	-	-
5 years later	219,589	212,220	225,959	228,459	222,364	263,542	-	-	-	-	-
6 years later	222,209	215,768	230,311	233,006	226,689	-	-	-	-	-	-
7 years later	226,198	218,747	262,295	239,483	-	-	-	-	-	-	-
8 years later	230,723	221,043	264,280	-	-	-	-	-	-	-	-
9 years later	232,752	222,587	-	-	-	-	-	-	-	-	-
10 years later	233,664	-	-	-	-	-	-	-	-	-	-
Re-estimated as of: UWYEAR	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Closed year	**261,164**	**273,011**	**332,025**	**320,708**	**377,451**	**316,840**	**308,777**	**362,044**	**361,175**	**378,240**	**332,706**
1 year later	192,482	224,140	211,157	218,241	209,562	207,895	220,330	266,126	358,229	320,999	-
2 years later	192,446	224,929	211,533	217,345	205,796	210,040	218,945	352,974	307,021	-	-
3 years later	191,527	222,622	211,983	218,897	204,066	228,995	284,336	363,798	-	-	-
4 years later	190,083	221,348	212,662	221,573	203,567	223,315	360,119		-	-	-
5 years later	189,634	220,850	213,708	203,403	229,479	287,911		-	-	-	-
6 years later	189,610	220,591	221,659	231,458	239,858			-	-	-	-
7 years later	188,761	212,730	203,517	250,798				-	-	-	-
8 years later	218,349	222,418	276,190					-	-	-	-
9 years later	211,747	229,330						-	-		-
10 years later	241,147							-	-	-	-
Gross redundancy/ (deficiency)	**20,017**	**43,681**	**55,835**	**69,910**	**137,593**	**28,929**	**(51,342)**	**(1,754)**	**54,154**	**57,241**	**-**

14 Other reserves

	2020 US$'000	2019 US$'000
General reserve	364,413	336,558
Reserve for exchange fluctuation	6,294	6,294
Reserve for loss fluctuation	57,600	56,800
Reserve for market value adjustment	9,408	8,021
Translation reserve	(156,654)	(168,618)
	281,061	**239,055**

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

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

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

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

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

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

15 Share capital

	2020 Number	2019 Number
Authorised share capital	**5,000,000**	**5,000,000**
Issued and fully paid	**2,858,611**	**2,858,611**
	US$'000	**US$'000**
Issued and fully paid at 31 December	285,861	285,861
Par value per share	**$100**	**$100**

The movement in issued and fully paid share capital is as below:	2020 US$ '000'	2019 US$ '000'
At 1 January	285,861	285,140
Issue of ordinary shares	-	721
At 31 December	**285,861**	**285,861**

16 Earned premium

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

	2020			2019		
	Gross US$'000	**Retrocession US$'000**	**Net US$'000**	**Gross US$'000**	**Retrocession US$'000**	**Net US$'000**
Fire and accident	618,998	(69,048)	549,950	715,585	(132,629)	582,956
Marine and aviation	131,454	(78,127)	53,327	51,877	(11,309)	40,568
Life	61,301	(9,200)	52,101	55,260	(5,444)	49,816
	811,753	**(156,375)**	**655,378**	**822,722**	**(149,382)**	**673,340**

17 Investment income

	2020 US$000	**2019 US$000**
Held to maturity		
Interest income from bank deposits	19,466	22,999
Interest income from deposits with ceding companies	2,469	2,154
Interest income from fixed rate securities HTM	9,482	6,736
Interest income from Floating rate Notes	1,233	86
	32,650	**31,975**
Fair value through profit or loss		
Interest income from fixed rate securities at fair value through profit or loss	4,059	7,509
Dividend from quoted equity investments at fair value through profit or loss	1,324	3,067
Fair value gains from quoted equity investments	4,287	6,023
Fair value gains from listed bonds	2,325	2,526
	11,995	**19,125**
Available for sale		
Dividend from unquoted equity investments at cost less impairment losses	**236**	**1,474**
Rental Income	1,549	1,503
Realized gains on equity portfolios	3,755	7,387
Realized losses on bond portfolios	3,297	4,028
Management fees from equity portfolio	(561)	(513)
Management fees from bond portfolios	(611)	(547)
	7,429	**11,858**
Total	**52,310**	**64,432**

18 Other operating income

Fee income	1,106	1,535
Gain/(loss)/ on disposal of property and equipment	27	74
Sundry income	148	61
	1,281	**1,670**

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

Claims incurred by principal class of business;	2020 Gross US$'000	2020 Retrocession US$'000	2020 Net US$'000	2019 Gross US$'000	2019 Retrocession US$'000	2019 Net US$'000
Fire and accident	368,772	(17,373)	351,399	435,624	(77,741)	357,883
Marine and aviation	53,368	(28,225)	25,143	24,066	(4,683)	19,383
Life	31,488	(3,063)	28,425	25,804	(1,737)	24,067
	453,628	**(48,661)**	**404,967**	**485,494**	**(84,161)**	**401,333**

20 Acquisition costs

	2020 US $'000	2019 US $'000
Commission paid	188,853	207,847
Charges paid	27,622	25,087
Movement in deferred acquisition cost	111	(5,665)
	216,586	**227,269**

21 Administrative expenses

	2020 US $'000	2019 US $'000
Staff costs	25,834	25,396
Auditors' remuneration	270	275
Depreciation on property and equipment	1,757	1,796
Depreciation on investment property	369	260
Amortisation of intangible assets	664	731
Impairment charge on reinsurance receivables	12,758	9,268
Short term lease rentals	245	309
Repairs and maintenance expenditure	848	757
Consultancy fees	1,070	1,008
Travel costs and allowances	85	759
General Assembly and Board of Directors' meetings	1,038	1,550
Electricity and water	375	563
Insurance	529	801
Communication expenses	294	354
Advertisement and entertainment	414	720
Training and subscriptions	114	209
Technical assistance	33	274
Medical expenses	454	613
Computer and word processing	1,875	1,779
Transport and maintenance	80	120
Bank charges and other fees	539	449
Office expenses	278	236
Legal expenses	164	327
Donations	10	37
	50,097	**48,591**

Staff costs include retirement benefit costs amounting to US$2,510,907 (2019: US$2,871,529.58).

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.

	2020 US$'000	**2019 US$'000**
Net foreign exchange (loss)/gain	**(9,247)**	**9,758**

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:

	2020 US$'000	**2019 US$'000**
Current income tax charge	2,721	1,981
Deferred income tax credit (Note 12)	(49)	(44)
	2,672	**1,937**

The movement in the tax recoverable account is as follows:

At 1 January	2,478	2,311
Current tax charge for the year	(2,721)	(1,981)
Tax paid	733	2,148
At December	**490**	**2,478**

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

24 Dividends

At the Annual General Meeting (AGM) to be held on 30 June 2021, a final dividend in respect of the year ended 31 December 2020 of US$ 8.80 per share on 2,851,405 existing shares amounting to a total of US$ 25,155,777 (2019: US$ 25,155,777) is to be proposed. The dividend declared at the AGM held on 20 June 2020 was charged to shareholders' equity in this financial statements. The liability for the dividend payable on the 2020 results shall be treated as an appropriation of profit in the financial statements for the year ending 31 December 2021.

The movement in the dividends payable account is as follows:

	2020 US$ '000	**2019 US$ '000**
At 1 January	5,157	6,925
Final dividends declared	25,156	22,811
Dividends paid	(20,898)	(24,579)
At 31 December	**9,415**	**5,157**

25 Notes to the statement of cash flows

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

	Notes	**2020 US$'000**	**2019 US$'000**
Profit before income tax		58,381	101,841
Adjustments for:			
Investment income net of management fees		(53,591)	(66,102)
Depreciation on investment property	8	369	260
Depreciation on property and equipment	9	1,757	1,796
Amortisation of intangible assets	10	664	731
Gain on disposal of property and equipment		(27)	72
Working capital changes;			
- Premium income receivable		393	1,469
- Deferred acquisition costs		540	(2,891)
- Reinsurance receivables		19,524	20,742
- Retrocessionaires' share of technical provisions		18,446	(24,676)
- Sundry receivables		12,218	(12,376)
- Sundry payables		357	1,333
- Exchange difference on deferred tax opening balance	12	(5)	(211)
- Reinsurance payables		(9,314)	13,070
- Technical provisions		28,931	48,998
Cash generated from operations		**78,643**	**84,056**

b) Cash and cash equivalents

Cash and bank balances	175,130	129,992
Bank deposits with financial institutions maturing within 90 days	119,665	173,306
Cash and cash equivalents	**294,795**	**303,298**

26 Sundry Payable

	Notes	2020 US$'000	2019 US$'000
Short term employee benefits		2,105	2,043
Accrued Expenses		742	983
Deferred rental income		236	493
Tenants current account		842	1,026
Other payable		5,450	3,781
Long term employee befits		7,769	9,175
		17,144	**17,501**
Comprising:			
- current portion		6,539	6,710
- non-current portion		10,605	10,791
		17,144	**17,501**

27 Related party transactions and balances

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

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

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

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

i) Transactions with related parties - Shareholders
No individual shareholder has a controlling interest in the Corporation.

	2020 US$ '000	2019 US$ '000
ii) Administration of Staff Provident fund Contributions paid	1,552	969
iii) Remuneration for key management personnel		

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

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

	2020	2019
Directors' fees (non-executive directors)	796	731
Other remuneration (elected members of management)		
- Salaries and other short term benefits	1,508	1,309
- Terminal benefits	174	217
iv) Administration of Africa Re Corporate Social Responsibility Trust fund		
Funds allocated to the trust fund	1,996	313

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. If the attritional claims incurred were 5% higher, the comprehensive income for the year would be lower by USD 15.8million (2019: USD 16.4million).

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 2020

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

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	15,000
Aviation excess of loss	12,000	3,000
	Annual Aggregate Deductible	**Annual aggregate Limit**
Non-Marine Aggregate	25,000	25,000
Marine & Energy Aggregate	10,000	10,000

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 2020 US$000	**Group 2019 US$000**
Cash and cash equivalents	294,795	303,298
Investments	947,652	826,590
Reinsurance receivables	146,552	166,076
Sundry receivables	9,962	22,180
Total assets bearing credit risk	**1,398,961**	**1,318,144**

Credit quality of financial assets per asset class-Group

At 31 December 2020:

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

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	303,298	826,590	105,705	22,180
Past due but not impaired			60,371	
Impaired			46,250	
Gross	303,298	826,590	212,326	22,180
Impairment allowance - collective			(46,250)	
Net	**303,298**	**826,590**	**166,076**	**22,180**

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 2020:

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

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**

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

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	14	**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	-	-	-	-	-	52,849	**52,849**
Unquoted equity investments at cost less impairment	-	-	-	-	-	854	**854**
Total investments	**381,648**	**76,478**	**48,936**	**51,653**	**50,186**	**353,046**	**961,947**
Total	**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)

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.

	US$000	US$000
Interest rate sensitivity	100 bps parallel increase	100 bps parallel decrease
2020	(6,569)	6,569
2019	(6,571)	6,571

ii) Equity price risk

Equity price risk refers to the potential loss in fair value resulting from adverse changes in the fair value of stocks that the Corporation has invested in. The Corporation maintains an actively managed equity portfolio and as such is exposed to stock market price fluctuations. The Corporation does not use any derivatives to manage this risk but rather uses the mechanism of diversification in all forms, including limits on single stock, industry and sector allocation and geographical distribution among others. The investment guidelines provide a cap on the total financial assets to be held in equities. The cost of quoted equities at 31 December 2020 was US$ 70,664,000 (2019: US$ 74,874,000). As such, a 10% change in equity prices across all financial markets would result in our comprehensive income to increase or decrease by US$ 7,066,000 (2019: USD 7,487,000).

iii) Currency risk

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

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

The tables on pages 97 and 98 show the various currencies in which the group's assets and liabilities were denominated as at 31 December 2020 and 2019. 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**
2020	(40,641)	40,641
2019	(29,942)	29,942

28 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2020: (in US$'000)	USD	ZAR	GBP	CFA/EUR	MAD	EGP	NGN	KES	MUR	OTHERS	TOTAL
ASSETS											
Cash and cash equivalents	131,500	31,567	9,971	25,795	11,712	9,712	24,620	17,072	3,766	29,080	**294,795**
Reinsurance receivables	(12,594)	2,798	13	23,227	5,538	5,979	3,224	11,237	3,162	103,868	**146,552**
Claims recoverable	68,908	5,745	24	7,927	982	585	372	788	6	3,549	**88,886**
Deferred retrocession premium	22,126	960	-	4,717	-	189	545	1,360	-	2,279	**32,176**
	209,940	**41,070**	**10,108**	**61,666**	**18,232**	**16,465**	**28,761**	**30,457**	**6,934**	**138,776**	**562,409**
Investments:											
Bank deposits	172,212	60,003	5,831	28,869	-	2,585	1,524	8,802	3,546	16,765	**300,137**
Deposits with ceding companies	17,660	1,805	1,031	55,581	51,699	7,601	5	279	(150)	36,221	**171,732**
Fixed rate securities at fair value	19,079	29,479	-	-	-	-	528	46,314	-	-	**95,400**
Floating rate securities at fair value through profit or loss	41,466	-	-	-	-	-	-	-	-	-	**41,466**
Fixed rate securities at amortised cost	233,670	33,500	3,786	26,829	-	-	-	-	-	-	**297,785**
Floating rate securities at cost	41,132	-	-	-	-	-	-	-	-	-	**41,132**
Equity investments at fair value	71,854	9,278	-	-	-	-	21	2,068	-	-	**83,221**
Unquoted Equity investments at fair value through OCI	53,735	-	-	329	-	-	1,989	-	-	-	**56,053**
Unquoted Equity investments at cost less impairment	-	-	-	936	-	-	-	-	-	-	**936**
Total Investments	**650,808**	**134,065**	**10,648**	**112,544**	**51,699**	**10,186**	**4,067**	**57,463**	**3,396**	**52,986**	**1,087,862**
Total Assets	**860,748**	**175,135**	**20,756**	**174,210**	**69,931**	**26,651**	**32,828**	**87,920**	**10,330**	**191,762**	**1,650,271**
LIABILITIES											
Sundry payables	11,280	1,620	-	166	562	361	1,384	1,362	384	25	**17,144**
Dividend payable	9,415	-	-	-	-	-	-	-	-	-	**9,415**
Reinsurance payables	13,620	414	(3,236)	20,193	(3,361)	250	6,119	6,749	(4)	44,861	**85,605**
Outstanding claims	160,282	97,308	3,872	53,359	48,776	14,465	9,826	26,218	13,882	45,312	**473,300**
Total liabilities	**194,597**	**99,342**	**636**	**73,718**	**45,977**	**15,076**	**17,329**	**34,329**	**14,262**	**90,198**	**585,464**
NET POSITION	**666,151**	**75,793**	**20,120**	**100,492**	**23,954**	**11,575**	**15,499**	**53,591**	**(3,932)**	**101,564**	**1,064,807**

Key to currency abbreviations;

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

28 Financial risk management (Continued)

Currency risk (continued)

At 31 December 2019: (in US$'000)	USD	ZAR	GBP	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	51,398	-	-	(20)	-	-	1,471	-	-	-	**52,849**
Unquoted equity investments at fair value less impairment	-	-	-	854	-	-	-	-	-		**854**
Total Investments	**580,943**	**144,196**	**10,321**	**68,606**	**39,026**	**8,269**	**11,685**	**20,445**	**3,599**	**74,857**	**961,947**
Total Assets	**893,177**	**172,732**	**19,765**	**133,322**	**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	**715,969**	**64,775**	**19,327**	**39,032**	**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

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	2020 US$ '000	2019 US$ '000
African Reinsurance Corporation (South Africa) Limited	Reinsurance services	*	100%	*	*
African Takaful Company	Reinsurance services	12,000	100%		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 $ 4,910,335 during the year ended 31 December 2020 (2019: US $ 4,921,171). 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	2020 US $'000	2019 US $'000
Total assets	289,055	291,073
Total liabilities	(227,273)	(233,246)
Net assets	61,782	57,827

Summarised statement of profit or loss and other comprehensive income

Net earned premium	35,105	47,514
Profit before income tax	7,006	6,821
Income tax expense	(2,096)	(1,900)
Other comprehensive income	-	-
Total comprehensive income	4,910	4,921

Summarised statement of cash flows

Net cash used in operating activities	(11,804)	(10,754)
Net cash generated from investing activities	11,558	11,170
Net (decrease)/ increase in cash and cash equivalents	(246)	416
Net gain/(loss) on liquid assets	(31)	11
Cash and cash equivalents at beginning of year	912	485
Cash and cash equivalents at end of year	635	912

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$154,012 during the year ended 31 December 2020 (December 2019: US$1,755,005). 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)

	2020 US $'000	2019 US $'000
Summarised statement of financial position		
Total assets	84,965	92,203
Total liabilities	(93,109)	(94,175)
Net liabilities	**(8,144)**	**(1,972)**
Summarised statement of profit or loss and other comprehensive income		
Net earned premium	47,585	51,935
Profit before income tax	154	1,755
Other comprehensive income	-	-
Total comprehensive income	154	1,755
Summarised statement of cash flows		
Net cash generated from operating activities	(943)	816
Net cash from investing activities	1,580	2,047
Net increase in cash and cash equivalents	637	2,863
Net loss on liquid assets	442	(1,246)
Cash and cash equivalents at beginning of year	45,040	43,423
Cash and cash equivalents at end of year	**46,119**	**45,040**

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited

Sherborne Number Ten Parktown Investments Proprietary (South Africa) Limited was purchased by African Reinsurance Corporation in October 2012. The principal activity of the company is property holding. The company reported a loss of US $298,811 during the year ended 31 December 2020 (2019: US $ 77,198). 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	2020 US $'000	2019 US $'000
Total assets	2,553	3,154
Total liabilities	(81)	(477)
Net assets	**2,472**	**2,677**

Summarised statement of profit and loss and other comprehensive income

Net Income	140	159
Profit before income tax	107	114
Income tax expense	(406)	(37)
Other comprehensive income	-	-
Total comprehensive (loss)/income	**(299)**	**77**

Summarised statement of cash flows

Net cash generated from operating activities	-	-
Net cash used in from investing activities	-	-
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	-	-
Net (loss)/gain on liquid assets	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

Africa Re Underwriting Agency Dubai (United Arab Emirates) Limited

African Re Underwriting Agency Dubai (United Arab Emirates) Limited was incorporated on 28th April 2020. The principal activity of the company is Insurance Management. It commenced operation on 1st of January 2021.

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.

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 its Sudan, Abidjan, Uganda, Ethiopia and United Arab Emirates Offices. The future minimum lease payments leases are as follows:

	2020 US$'000	2019 US$'000
Not later than 1 year	228	146
Later than 1 year and not later than 3 years	273	96
	501	**242**

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:

	2020 US$'000	2019 US$'000
Not later than 1 year	1,393	1,196
Later than 1 year and not later than 3 years	1,414	929
	2,807	**2,125**

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:

	2020 US$'000	2019 US$'000
Share capital	285,861	285,861
Share premium	216,107	216,107
Other reserves	281,061	239,056
Retained earnings	234,077	234,174
Total capital – equity	**1,017,106**	**975,198**

33 Events after the reporting date

There was no event subsequent to date of the financial statements, which require adjustment or disclosure in these financial statements.

Appendix

Consolidated statement of profit or loss by class of business

	Fire and accident US$'000	Marine and aviation US$'000	Life US$'000	Total 2020 US$'000	Total 2019 US$'000
Underwriting income:					
Gross written premium	611,429	132,897	60,448	804,774	844,786
Gross earned premium	618,997	131,455	61,301	811,753	822,722
Retrocession premium	(69,048)	(78,127)	(9,200)	(156,375)	(149,382)
Net earned premium	**549,949**	**53,328**	**52,101**	**655,378**	**673,340**
Commissions & charges earned under retrocession arrangements	**12,444**	**15,001**	**2,864**	**30,309**	**29,834**
Gross claims paid	**(355,390)**	**(31,757)**	**(26,826)**	**(413,973)**	**(461,122)**
Gross claims incurred	(368,772)	(53,368)	(31,488)	(453,628)	(485,495)
Less retrocessionaires' share	17,373	28,225	3,063	48,661	84,162
Net claims incurred	**(351,399)**	**(25,143)**	**(28,425)**	**(404,967)**	**(401,333)**
Acquisition expense	(172,614)	(28,619)	(15,353)	(216,586)	(227,269)
Management expenses	(38,708)	(8,176)	(3,213)	(50,097)	(48,591)
Underwriting profit	**(328)**	**6,391**	**7,974**	**14,037**	**25,981**
Net investment and other income				53,591	66,102
Net foreign exchange loss/(gain)				(9,247)	9,758
Profit before income tax				**58,381**	**101,841**
Income Tax				(2,672)	(1,937)
Profit for the year				**55,709**	**99,904**

Notes

Notes

Notes