

BRIEF COMMENTARY ON THE ACCOUNTS AS AT 31 MARCH 2009

1. BALANCE SHEET

1.1 INVESTMENTS AND CASH & SHORT-TERM FUNDS

Investments and short-term funds including cash, at March, 2009 dipped slightly to US\$429.11 million from US\$431.68million at December, 2008. The depreciation of some of the Corporation's operating currencies (CFA 4.7%, MAD 3.88% and ZAR 2.78%) against the United States Dollar, the Corporation's reporting currency accounted for this drop. The total translation loss of US\$6.05 million arising from the revaluation of opening balances of investments and cash more than offset the net inflow from operating and investing activities.

The broad asset allocation shows the portfolio's continued overweight in cash instruments at 66.5% while fixed income and bonds accounted for 27.1%. Equities dipped further to 6.4% reflecting primarily declining equity prices. The weights were however well within the limits prescribed by the policy guidelines.

Details of the composition of investments by class and contribution by regional offices are contained in the investments report.

1.2 BALANCES DUE ON REINSURANCE ACCOUNTS

Amount due from companies on reinsurance accounts as at March, 2009 increased marginally to US\$93.20 million from US\$91.61 million at December, 2008 while balances due to companies on reinsurance accounts improved by 3.89% to US\$64.27million from US\$65.43 million in December, 2008. Even though, the translation of the opening balances resulted in a net translation loss of US\$2.82 million, the receivable account recorded a net increase resulting from a few locations (Mauritius, North & Central Africa) that reported noticeable increases in their receivable balances on account of improved business underwritten and processing of some facultative accounts on an annual basis. There has not been any significant change in the distribution of the balances across the regions.

1.3 DEPOSITS RETAINED BY CEDING COMPANIES

The combined premium and loss deposits at March, 2009 was US\$89.77 million, a decrease of 4.16% from US\$93.66 million as at December, 2008. The drop was also mainly on account of US\$3.65million translation adjustment arising from the revaluation of opening balances. There has not been any major shift in the composition by currency and location. The balances as in the past were concentrated in the three regions, Central and North East Africa as well as the Maghreb Regions, where retention of balances against outstanding losses remain a statutory requirement.

1.4 CUMULATIVE TRANSLATION ADJUSTMENT

The exchange difference arising from the translation of the original currency opening balances at the rates ruling at March 2009 resulted in a loss of US\$13.12 million, largely due to the depreciation of some of the Corporation's operating currencies (CFA:4.70%,

Moroccan Dirham:3.88%, and South Africa Rand:2.87%) against the United States Dollar. As in the past, a total of US\$8.96 million relating to technical balances was adjusted to the appropriate technical reserve accounts thereby limiting the impact on the shareholders' funds to US\$4.16 million, being translation loss on cash and other non-technical balances.

2. UNDERWRITING RESULTS

2.1 GROSS PREMIUM INCOME

Gross written premium for the first quarter ending March, 2009 was US\$114.06million compared to US\$92.95 million in 2008, representing an increase of 22.71% and above target (US\$98.85 million) by15.4%. In terms of budget performance by production centre, the combined Cairo, the subsidiary, Central Africa, and Casablanca exceeded their budget by 54.2%, 25.0%, 15.4% and 2.0% respectively. The performance in most of the production centres was largely due to improved marketing which led to higher facultative acceptances. The sustained depreciation of most of the Corporation's operating currencies against the US dollar partly accounted for the below target performance for some of the locations that were unable to meet their target.

Gross earned premium, after adjusting for movement in unearned premium provision, amounted to US\$114.84 million, representing an improvement of 26.31% over US\$90.92 million earned in the previous period.

2.2 RETROCESSION PREMIUM

Premium ceded to retrocessionaires for the period amounted to US\$5.13 million compared to US\$8.66 million in the previous period, a decrease of 40.77%. The decrease was in part due to the timing of the processing of one of the major energy accounts in West Africa. In 2009, the account was processed in May, whereas, when processed in March, 2008, it incurred a retro cost of US\$3.49 million. There was also a remarkable savings from the total cession to the two pools by 35.02% from US\$2.48million in 2008 to US\$1.61 million in 2009.

2.3 INCURRED LOSSES

The quarter witnessed the processing of a number of major claims in some of the locations. Paid claims during the period increased by 56.72% to US\$72.03million compared to US\$45.96million in the previous period and higher than US\$45.96 million forecast. The subsidiary, West Africa, the combined Cairo and the International Mauritius production centres recorded paid claims ratio in excess of 60%. Some of the claims that led to the deterioration in the paid ratio include a fire claim in South Africa reported by four cedants with a total of US\$11.53 million, a major industrial fire claim in West Africa on which US\$1.35 million had been paid,

The amount recoverable from retrocessionaires was relatively stable at US\$0.32million (2008: US\$0.38million) given that all the claims paid during the period were within the

deductible. As a result, Net loss incurred after adjusting for movement in pipelines and outstanding claims (including IBNR) was US\$71.07million (2008: US\$53.68 million) representing a net incurred claims ratio of 66.19% (2007: 65.26%).

2.4 COMMISSION & CHARGES

Net commission and charges increased by 5.88% from US\$28.84million in 2008 to US\$30.54million in 2009 but represented an improvement in the commission ratio from 35.06% in 2008 to 28.44% and well within 28% target. Other than a few production centres (North Africa: 37.84%, East Africa: 35.25% and Cairo: 33.74%) all the production centres recorded ratios within the target.

2.5 MANAGEMENT EXPENSES

Management expenses charged to the underwriting revenue account for the first quarter amounted to US\$3.75million compared to US\$3.69million in the previous period, representing an increase of 1.41% (2008: 25.32%). In terms of budget performance, the core management expenses (that is staff and management costs, travel costs and general expenses, excluding depreciation and provision for doubtful balances) showed a savings of 33.69% (2008: 9.12%). This savings was however driven by the delay in the recruitment of additional staff as provided for in the budget as well as the depreciation of most of the Corporation's operating currencies against the US Dollar.

	31/03/2009		31/03/2008		
	ACTUAL	BUDGET	ACTUAL	Variance (%)	
	US\$'000	US\$'000	US\$'000		
	A	B	C	A/B	A/C
Board & Gen. Assembly	18	12	27	53.19	(33.33)
Staff Costs	2,196	3,085	2,243	(28.81)	(2.09)
Travel & Subsistence	63	168	96	(62.18)	(34.09)
General Expenses	885	1,505	884	(41.21)	0.08
Sub Total	3,162	4,769	3,250	(33.69)	(2.71)
Provisions	588	543	448	8.32	31.27
Total	3,750	5,312	3,698	(29.40)	1.41

Overall, the resulting ratio of management expenses to net earned premium improved to 3.49% compared to 4.50% recorded during the previous period.

Total outgo including management expenses as at March 2009 was US\$105.36million (2008: US\$ 86.23million) resulting in a combined ratio of 98.13% (2008: 104.82%).

Consequently, the net underwriting result improved to US\$2.012 compared to a loss of US\$3.97 million in March, 2008.