



**AFRICAN REINSURANCE CORPORATION
GENERAL ASSEMBLY
16TH ANNUAL ORDINARY MEETING
NAIROBI, KENYA, 23RD AND 24TH JUNE, 1994**

AFRICARE/GA/18/113

**Report of the Board of Directors
covering the period
1st January to 31st December, 1993**



**AFRICAN REINSURANCE CORPORATION
SOCIETE AFRICAINE DE REASSURANCE**

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Honourable Representatives
General Assembly
African Reinsurance Corporation

Date: 23rd June, 1994

Your Excellencies,

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 from 1st January to 31st December, 1993, as well as the Summary of the Administrative Budget for the financial year 1994.

Please accept, Your Excellencies, the assurances of my highest consideration.


EUGENE OKWOR
Chairman of the Board of Directors
and General Assembly



COMPOSITION OF AFRICA RE BOARD OF DIRECTORS



E. Okwor
Chairman



A.A. Amavi
Vice-Chairman



S. Omari



N.N. Kadadi



P.J. Blackburn



K. Makani



Mohamed Y. Ali



M. Belaziz



H.C. Ouazzani

ALTERNATE DIRECTORS:

MR. P. KPODO(Ghana), MR. I. BOUKARI-YABARA(Benin) MR. M. HAMOUD(Mauritania), MR. E. SAMAKAI(Zambia), MR. E. Ye ILONDO(Zaire), MR. M. HABTEMARIAM(Ethiopia), MR. M. NASS(Libya), MR. K. A. SELIM (Egypt), MR. M. CHALOBAN (ADB)

COMPOSITION OF AFRICA RE MANAGEMENT



Bakary Kamara
General Manager/Chief Executive



A.E.A. Elsanusi
Deputy General Manager



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FOREWORD

The 16th annual report of the Board of Directors presents the Corporation's accounts as at 31st December, 1993, including the results of the 1991 underwriting year (closed for the first time), those of the previous years (1978-1990) as well as the accounts for the still open years of 1992 and 1993.

The report also reviews the trading environment in which Africa Re operated and contains the External Auditors' report on the accounts, resolutions adopted by the 15th Annual Ordinary Meeting, as well as a summary of the 1994 approved administrative budget, and for the first time, a summary of the approved budget and actual expenditure for 1992 and 1993.

FINANCIAL HIGHLIGHTS

During the year under review, the Corporation recorded a premium net of cancellations of US\$38,568,305, compared to US\$34,754,970 in 1992, i.e. an increase of 10.96%. After deduction of retrocessions and adjustments for movement in reserves, the volume of net premium earned amounts to US\$28,070,884 (1992: US\$29,017,523).

At the close of business for the 1993 financial year, the Corporation recorded an underwriting profit (after management expenses) of US\$2,136,253 (1992: US\$2,330,325), which was transferred to the profit and loss account. To this were added income from investments and other sources amounting to US\$1,218,477 (1992: US\$1,333,315), interest on reinsurance deposits of US\$835,143 (1992: US\$982,365) and a realized gain on exchange of US\$122,205 (1992: US\$192,247), to arrive at an operating profit for the year of US\$4,312,078 (1992: US\$4,758,991). Other expenses not charged to the revenue account amounting to US\$668,477 (1992: US\$637,704) were then deducted from the operating profit to arrive at a net profit for the year of US\$3,623,601 (1992: US\$4,121,287).

In line with its standing accounting practice, the results of the still open years, 1992 and 1993 (excess of income over outgo), totalling US\$19,625,425 (1992: US\$15,376,855), were carried forward as reinsurance funds whilst the reserve for outstanding losses at year-end was established at US\$15,866,554 (1992: US\$14,208,938).

Cumulative translation adjustments for 1993 resulted in a negative difference of US\$5,109,610 (1992: US\$4,595,322) which was treated as a separate component of shareholders' funds in accordance with the International Accounting Standard No. 21 (IAS 21). During the year a total of US\$7,118,647 was written off by utilising the balance of the reserve for

exchange fluctuation and a transfer from the profit and loss account. As at 31st December, 1993, cumulative translation adjustments therefore amounted to US\$7,191,928 as against US\$9,200,965 in 1992. It is planned that this balance will be absorbed progressively over the coming years since it is of utmost importance to eradicate it on time in order to strengthen the Corporation's financial base.

Shareholders' funds stood at US\$21,448,771 as at 31st December, 1993, i.e. an increase of 6.79% compared to the 1992 figure (US\$20,121,558).

The economic revival witnessed in most of the developed countries is still too recent to have any driving effect on Africa, which is under a heavy debt burden, increasingly difficult to shoulder. Indeed, pockets of economic growth exist both in the North and South of the continent, but the bulk of African countries are confronted with difficulties such as the lack of new investments, fall in production and drop in export earnings, which in turn bring about unemployment, devaluation of national currencies, loss of purchasing power etc. This state of affairs consequently creates an economic crisis which adversely affects the insurance industry more than any other sector, since insurance is still not considered as a priority by African consumers, including the elite.

African companies are further penalised by the deterioration of the terms and conditions of the reinsurance business experienced for several years now by the international reinsurance market even though a brief spell of prosperity occurred at mid-year. Delays in, and in some instances, non-payment of balances which worsens the loss in exchange incurred by reinsurers yearly, are responsible for the stringent terms and conditions.

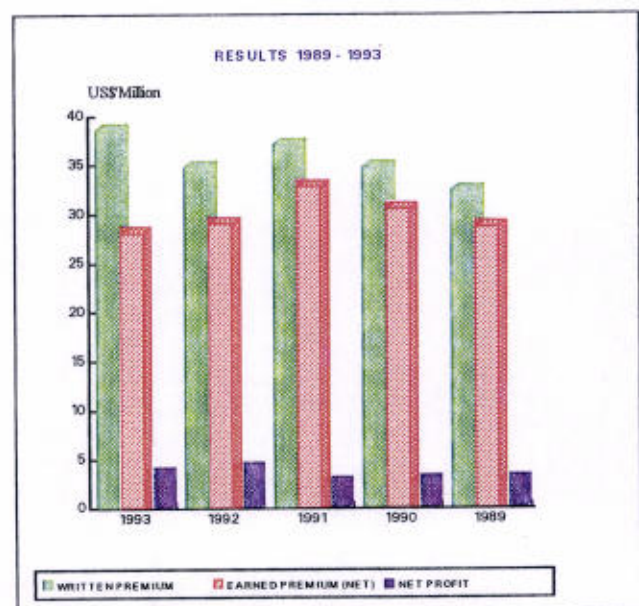
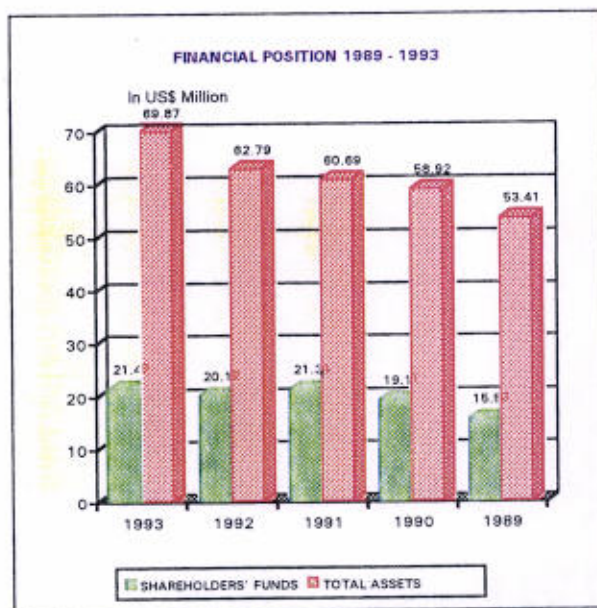
In effect, even though African businesses are of good quality, due to their profitability, many cedants settle balances due only after long periods, during which frequent devaluations of the currency of transaction occur resulting in significant losses in exchange coupled with loss of investment income. Consequently, one should not be surprised that the international market is increasingly taking into account these factors (loss of exchange and investment income) in determining the reinsurance rates and conditions for African cedants.

The Corporation's marketing drive enabled it, despite the significant devaluations of several local currencies, to record an income in 1993 of US\$38.568 million, as against US\$34.755 million in the previous year. However, the volume and share of retained premiums fell to US\$28.070 million and 83.79% of gross premium respectively, compared to US\$29.017 million and 87.48% in 1992. This fall in the Corporation's



FINANCIAL HIGHLIGHTS

In US\$ '000	1993	1992	1991	1990	1989
RESULTS					
WRITTEN PREMIUM	38,568	34,755	37,016	34,723	32,315
EARNED PREMIUM (NET)	28,070	29,018	32,800	30,554	28,714
NET PROFIT	3,624	4,121	2,640	2,860	2,892
FINANCIAL POSITION					
SHAREHOLDERS' FUNDS	21,489	20,122	21,340	19,107	15,530
TOTAL ASSETS	69,874	62,786	60,694	58,923	53,405





retention level is due to the volume of some risks written (especially oil risks). Besides, were it not for the significant devaluation or depreciation of most of the underwriting currencies, the 1993 turnover would have attained more than US\$47 million (if the exchange rates in force as at 1st January are used). There is however cause for satisfaction given the good performance recorded by African businesses with a loss experience of 41.39%. The resumption of non-African business is on a gradual basis and for the time being is restricted to the Middle East and South Asian markets.

During the year under review, Africa Re subscribed to the tune of US\$1 million, in the capital of The African Export-Import Bank (Afreximbank) which was established to promote intra-African trade and develop exports from the continent to the rest of the world, an option which henceforth seems to be a *sine qua non* to economic development.

The inevitable drop in interest rates affecting term deposits expressed not only in US dollars but also other currencies, including African currencies, did not allow Africa Re to record as much investment income as in the previous year. In effect, 1993 recorded a drop of US\$114,838 compared to 1992.

Management expenses for their part dropped both in monetary terms and as a proportion of gross retained premium. These stood at US\$3,099,058 in 1993, representing a management ratio of 9.56%, as against US\$3,141,605 and a ratio of 10.83% in 1992.

On new developments, mention should be made of Eritrea which gained independence in 1993 and has joined the Corporation's shareholding. Furthermore, numerous companies have subscribed (270 shares) and paid (US\$1,145,000) for shares in the Corporation's capital. More participation is expected in the coming years following the opening up of the Institution's capital.

The Corporation's annual reinsurance seminar was held in Casablanca from 11th to 15th October, 1993. During the year under review, the Corporation also organised special training and refresher courses in reinsurance at its Headquarters and regional offices for cedants' staff.

Thus, Africa Re's financial position is improving year after year, despite operating in an unfavourable trading environment, whilst it is gaining credibility in the eyes of African insurance professionals who increasingly identify with the Corporation's fortunes and consequently participate more actively in its affairs and the shaping of its future. The Board therefore wishes to express its gratitude as well as that of Africa

Re shareholders to cedants, Management and Staff of the Corporation for their unflinching support and loyalty.

Recognition and gratitude go also to the host countries (Headquarters and Regional Offices) for the facilities placed at the Corporation's disposal and their support towards the realisation of its main objectives which, it should be recalled, are:

- to foster the development of the insurance and reinsurance industry in Africa,
- to promote the growth of local underwriting and retention capacities, and above all,
- to support African economic development in a purely commercial perspective.

TRADING ENVIRONMENT

GLOBAL OUTLOOK

The 1993 financial year witnessed a more pronounced division of the world into several zones, each with completely different rhythms of activity. Thus, whilst the growth rate in the North American economy began to show signs of recovery - reaching nearly 3% and 2% in the United States and Canada respectively - it recorded a reduction in Japan and Europe (especially in Germany).

Asian economies recorded sustained growth (Malaysia and Thailand), with China topping the list at 13% - even though in the case of this country its performance was accompanied by high inflation - whilst Australia and New Zealand regained the path to prosperity.

Generally speaking, the year under review witnessed the long-awaited economic revival announced for a while now by several analysts of world economic prospects.

Furthermore, the drastic increase in the number of regional agreements on business co-operation has popularised the need to regionalise trade, which, in the final analysis, cannot be prejudicial to world dynamism to ensure multilateral trade devoid of any constraints. The inauguration in January of the common market provided for in the Single European Act of 1986 (The European Economic Community), coupled with the finalization, after long negotiations, of the North American Free Trade Agreement (NAFTA) regrouping Canada, the United States of America and Mexico, testify to the fact that regionalisation and globalisation are not opposing concepts. In effect, a review of the conditions in which world trade took place since the end



of World War II tends to prove that polarisation and multilateralism always go hand in hand in a framework where economies are being opened up. It is in this context that the successive GATT agreements were signed and represent a negotiated convention put in place since the creation of this organisation whose objective was to manage the distribution of the Marshall Aid Plan to European countries in exchange, obviously, for the liberalization of their trade policies.

THE AFRICAN ECONOMY

The African continent, which seems ready to learn from this development philosophy, has for sometime now also opted for regional integration, even though its most spectacular initiatives (the Economic Community of Africa created in 1991 in Abuja) are still at the embryonic stage. Whilst these initiatives are yet to be implemented, Africa remains confronted with numerous difficulties. The socio-economic ills affecting the continent have indeed persisted in 1993 despite some breaks recorded by a number of countries.

Price increases for raw materials were evident for such tropical products as cocoa and coffee, the latter due to the laudable association concluded between producing Latin American and African countries. Gold producing countries (Ghana and South Africa) on their part recorded salutary increases in their foreign exchange reserves following the 25% rise in the price of gold.

However, the most serious defect in African economies, which will stultify or even limit its significant and sustained revival remains the heavy debt. With a debt burden that far exceeds US\$350 billion, i.e. nearly 20% of the external debt of developing countries, and an average debt servicing level of 32% of its Gross National Product, which it could hardly honour, Africa does not possess the financial means to ensure its economic revival.

In effect, by failing to meet its debt obligations as and when due, the African continent is deprived of direct private foreign investments which today constitute the main path to development.

With their economic framework weakened, a lot of African countries have witnessed the effects of monetary erosion. To make matters worse, significant currency devaluations occurred in Nigeria, Kenya, Angola, Zambia, Tanzania etc. Coupled with this, speculations on the imminent devaluation of the FCFA which reigned throughout the financial year under review, further undermined the credibility of this currency, thus causing capital flight. Faced with such a situation, the monetary authorities of the CFA zone had no other alternative but to suspend the repurchase of bank notes outside member countries. In short, a system of exchange control was set up to stop capital

flight.

However, even if the economies of most of the African countries were increasingly being marginalised, others, especially at the Northern and Southern part of the continent, recorded positive growth. The economic performance of Tunisia for instance - job creation (6.5% increase compared to 1992), control of inflation through the implementation of structural reforms (liberalization of imports, prices and the financial systems) - made the planned convertibility of the Dinar very promising. Its stability in relation to the main international currencies testifies to the solidity of its base - the national economy.

Morocco on its part recorded a 16.2% increase in the volume of private foreign investments from January to August 1993 compared to the corresponding period in the previous year. This increase is mainly as a result of the participation of foreign groups in the privatisation programmes of public enterprises, launched in 1992 and expected to be completed in 1995.

In spite of a lull in its tourism sector and the consequent drop (42.5%) in revenue, including the corresponding loss of jobs, Egypt paradoxically in 1993 recorded not only a surplus in its balance of payment estimated at US\$2 billion, a significant increase of its foreign exchange reserves, but also a stability of its national currency and more attractive interest rates as well. These commendable performances were accomplished thanks to the combination of factors such as the drop in the level of debt servicing (cancellation and rescheduling) and the reduction in government expenditure.

Several events, especially the opening of the manganese mines in Burkina Faso and the adoption of a sustained Structural Adjustment Facility aimed at attaining a growth rate of 4% and limiting inflation at 3% by Benin give rise to optimism on the economic revival of these two countries.

For Nigeria, the option to diversify its sources of income in order to reduce over-dependency on oil could help in no small measure in reviving its economy.

South Africa, which is gradually being readmitted into the continent's fold possesses, despite the effects of the sanctions imposed on it, significant assets (reasonable external debt level, modern banking and stock exchange systems, reliable infrastructural network), coupled with a positive growth rate estimated between 0.5% and 1% (for the first time in 4 years) and a spectacular revival of agricultural production (+236% and +196% for the 2nd and 3rd quarters respectively).

In Zimbabwe, high rainfall which followed the serious drought of 1992 enabled it record good harvests.



It is against this background that, at the insistence of donors, many countries pursued the policy of the privatization of Government-owned insurance companies and parastatals (Morocco, Côte d'Ivoire, Burkina Faso) and the liberalization of the sector (Tanzania, Mauritania etc.).

INSURANCE SECTOR

In the international scene, the London market continues to lead the sector in spite of numerous withdrawals in business capacity. Although the volume of capital brought into this market in 1993 is not comparable to the sums withdrawn and injected into Bermuda for instance, the fact is that London still has the expertise lacking in these newly-established reinsurance markets. Therefore it will remain, for a while, the torch bearer of international reinsurance.

Even though during the last 3 financial years 34 companies and 143 Lloyds syndicates ceased operations, the London market still writes US\$ 15 billion in the international reinsurance market (i.e. business from outside the British market).

There is not enough capacity for catastrophe covers in this market, but the Marine, Accident and Liability Classes recorded no deficit in this area. The emerging Bermuda market however compensates for this shortcoming following the granting of licences to several reinsurers specialised in covering natural risks (earthquakes, cyclones, floods etc.).

The reduction in capacity noticed during the renewal of the 1993 reinsurance programmes was further aggravated. The most difficult business to place remained the retrocession as a result of policy decisions taken by the international market to curtail the proliferation of reinsurance companies by forcing them to write business for net account.

Furthermore, as underlined in the past, African businesses continue to be the victims of excessive tariffs in spite of their good performance (20% to 25%). In reality, this increase in rates was imposed to cater for delays in the payment of balances which aggravate the effects of currency devaluations and consequently bring about significant exchange losses. Thus, many reinsurance companies henceforth incorporate these factors in the rates applied to African cedants. The financial losses so incurred are responsible for the withdrawal of a number of international reinsurers from the African markets even if they still record technical profits.

African insurance company executives should therefore adopt a more positive approach *vis-à-vis* the problem of the payment of reinsurance balances if they are to help in preventing the ever-increasing

marginalisation of the national economies.

The African Reinsurance Corporation which also suffers from the negative effects of exchange fluctuations (losses amounting to more than US\$ 20 million since 1982) cannot but express an opinion shared by all reinsurance professionals. The reinsurance business being an international activity *par excellence* where an atmosphere of confidence and goodwill forms the bedrock of all contracts, it is obvious that the erosion of such factors could in the long term jeopardise the relationship between African cedants and their partners.

It would be useful if henceforth both the national markets and the supervisory authorities take the necessary steps to ensure that the restructuring of the profession, an indispensable factor, is successfully implemented in order to prepare them effectively to face the harsh and inevitable competition that will necessarily follow the opening up of their economies, in line with donors' directives and the GATT agreements.

AFRICA RE is convinced that the modernisation of African Insurance companies is a *sine qua non* and the only exercise that will render them competitive and efficient, and therefore opts for the adoption of international management techniques and norms by professionals of the continent.

OPERATIONS

As in the previous years, the business accepted by the Corporation has, for operational and reporting purposes, been classified as follows:

- Fire and Accident (including Engineering),
- Marine & Aviation,
- Life.

The production centres remain as noted below:

- Anglophone West Africa (Head Office),
- Francophone West and Central Africa (Abidjan Office),
- North Africa (Casablanca Office),
- East and Southern Africa (Nairobi Office).

Business from non-African sources is classified as "inward international" or "worldwide business".

In addition to business from the West Africa Division, the Corporation's headquarters in Lagos administers the worldwide acceptances, Africa Re's Auto Fac Treaty, African Aviation Pool and African Oil and Energy Insurance Pool.



The table below provides a comparative analysis of some key performance indicators of the Corporation's business for the financial years 1992 and 1993.

PREMIUM INCOME

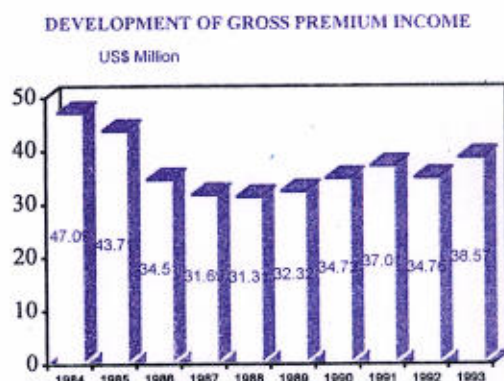
As would be observed from the table, a total amount of

US\$38.57 million was recorded in 1993 which exceeded the corresponding premium income of US\$34.76 million recorded in 1992 by 10.96%. The depreciation of many African currencies reduced the 1993 premium income by US\$ 8.4 million compared with a reduction of US\$ 11.0 million in 1992.

DESCRIPTION (US \$000)	1993			1992		
	GROSS	RETRO	NET	GROSS	RETRO	NET
INCOME						
PREMIUM(Less Cancellations)	38,568	6,249	32,319	34,755	4,351	30,404
MOVEMENT IN PREMIUM RESERVE	(6,766)	(2,517)	(4,249)	(2,809)	(1,422)	(1,387)
EARNED PREMIUM	31,802	3,732	28,070	31,946	2,929	29,017
OUTGO						
LOSSES PAID	11,253	572	10,681	13,736	852	12,884
MOVEMENT IN LOSS RESERVE	2,096	438	1,658	533	(242)	775
INCURRED LOSSES	13,349	1,010	12,339	14,269	610	13,659

DEVELOPMENT OF GROSS PREMIUM INCOME

The graph below indicates that the premium income recorded in 1993 represents the highest level of achievement since 1986.



This impressive performance was achieved in spite of

the persistent depreciation of many local currencies. The cumulative effect of the Corporation's marketing efforts which have greatly enhanced production levels are making the desired impact. It is expected that the marketing drive would gain even greater momentum in the years ahead.

The table on the "Evolution of Premium Income in Original Currencies/US\$ Equivalent", shows that the Corporation's production levels in original currencies have continued to increase from year to year. This has partially cushioned off the impact of depreciation of local currencies in a number of Africa Re's markets.

In some countries, however, the depreciation attained such high levels that, in spite of the significant premium income recorded in original currencies, their dollar equivalents either increased just slightly or fell below the previous year's levels. Kenya, Tanzania, Uganda, Zambia, Ghana and Angola are cases in point. The levels of depreciation recorded in these countries were of the following magnitudes:

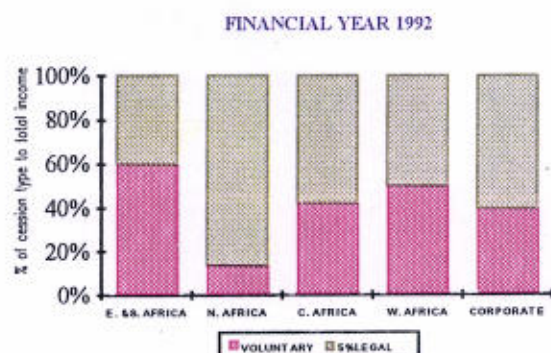
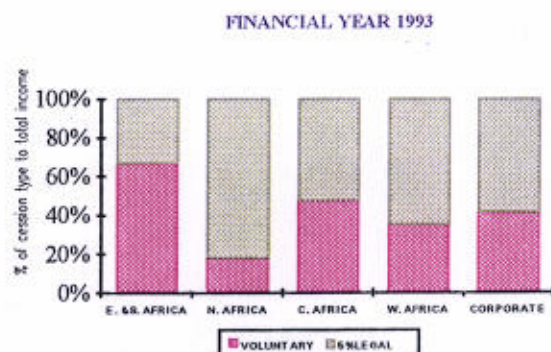


Kenya 82%, Tanzania 42%, Zambia 78%, Ghana 51% and Angola about 1000%.

Currencies in the North African markets remained relatively stable.

PROPORTION OF VOLUNTARY CESSIONS BY TRADING AREA

The Corporation's objective of increasing income from voluntary cessions is gradually being achieved. In 1993, the premium income from this source stood at 41.61% as against 39.77% in the previous year.



As indicated in the graphs above, the highest level of voluntary cessions, in 1993, was achieved by East Africa with 66.74%, against 60% in 1992. Central Africa followed with a figure of 47.66%, against 42.0% in 1992. West Africa came third with 30.40%, against 48.45% in 1992, while North Africa recorded 18.24% which exceeded the figure of 13.50% for last year.

GEOGRAPHICAL DISTRIBUTION

With a premium income of US\$13.36 million in 1993, the North Africa regional office achieved the highest level of production. This figure represents 34.64% of the Corporation's total premium income and exceeded last year's production level of US\$10.99 million by

21.56%.

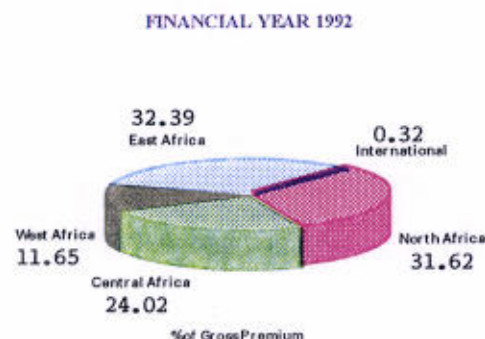
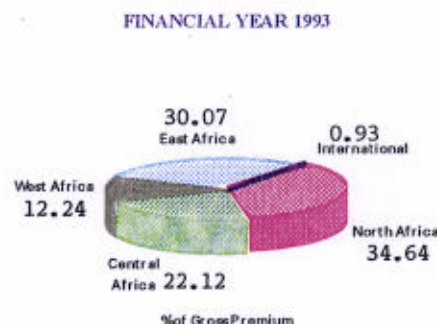
East Africa followed with US\$11.60 million, representing 30.07% of the corporate total, and 3.02% above the production level of US\$11.26 million recorded in 1992. The depreciation of local currencies accounted partly for the modest premium achieved in this region in 1993.

Central Africa produced a total premium income of US\$8.53 million or 22.12% of the corporate total. This level of production represents a slight increase of 2.16% over the premium income of US\$8.35 million recorded in 1992.

An amount of US\$4.72 million was written by West Africa which represents 12.24% of the corporate total. The figure exceeded the production level of US\$4.05 million recorded in 1992 by 16.54%.

The balance of US\$0.36 million or 0.93% of the premium income for the year came from the international market.

The graphs below relate to the foregoing:



SECTORAL DISTRIBUTION

As in the previous years, the bulk of the Corporation's premium income came from the Fire and Accident class. The total accruing to the Corporation from this sector amounted to US\$26.16 million representing an

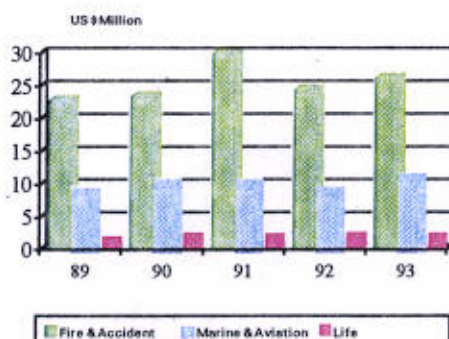


increase of 7.52% over the premium of US\$24.33 million in 1992. The 1993 premium income from this class represents 67.82% of the corporate total as against a figure of 69.99% in 1992.

The Marine and Aviation class recorded a total premium income of US\$10.86 million which was 23.72% above the level of US\$8.81 million generated by this sector in 1992. Its share of the total portfolio increased slightly from 25.35% in 1992 to 28.16%.

The balance of US\$1.55 million came from life business. This represents a decrease of 4.32% compared with the premium of US\$1.62 million recorded in 1992, due mainly to currency depreciation.

The graph below presents the relevant details:



OTHER INCOMES

Long Term Investments

During the year, the Corporation subscribed to US\$1 million ordinary shares of The African Export - Import Bank (Afreximbank) for which the required first instalment of US\$200,000 had already been paid. The remaining balance would be paid over a period of four years. As in previous years, Shelter Afrique did not

declare any dividend.

The continued fall in the rates of interest on all the deposits in foreign currencies accounted mainly for the decrease of US\$114,838 below the 1992 level of US\$1,333,315, i.e US\$1,218,477 for 1993.

The interest earned on term deposits and current accounts amounted to US\$807,827 (1992 - US\$982,365), while interest on bonds was US\$300,004 (1992 - US\$265,602). The increase in the interest on bonds was due to additional purchases during the year.

The fees from the management of the Pools increased slightly to US\$89,274 (1992 - US\$83,740).

OUTGO

LOSSES

The loss ratio recorded in 1993 was quite good. It fell from 44.66% in 1992 to 41.39%. The continental spread of Africa Re's business backed by selective underwriting was largely responsible for this improvement. In absolute terms, the losses paid amounted to US\$11.25 million compared with US\$13.77 million in 1992.

In 1993, the losses incurred dropped to US\$13.35 million (paid losses US\$11.25 million, movement in reserve US\$2.10 million), from US\$14.27 million (paid losses US\$13.77 million, movement in loss reserves US\$0.53 million) in 1992.

The improvement is attributable to the decrease recorded in all the classes, except life, as indicated in the table below:

GROSS LOSS RATIO BY CLASS - FINANCIAL YEAR 1993 CURRENCY: US\$MILLION

CLASS OF BUSINESS	REGIONAL BUSINESS			INTERNATIONAL INWARD			TOTAL CORPORATE			1992
	Loss Incurred	Earned Premium	LOSS RATIO %	Loss Incurred	Earned Premium	LOSS RATIO %	Loss Incurred	Earned premium	LOSS RATIO %	LOSS RATIO %
FIRE & ACCIDENT (Including Eng.)	8.66	21.36	40.54	0.24	0.21	114.29	8.90	21.57	41.26	43.34
MARINE & AVIATION	3.57	8.80	40.57	0.06	0.15	40.00	3.63	8.95	40.56	46.91
LIFE	0.82	1.28	64.06	-	-	-	0.82	1.28	64.06	52.35
TOTAL	13.05	31.44	41.51	0.30	0.36	83.33	13.35	31.80	41.98	44.66

LOSS EXPERIENCE BY TRADING AREA

- The markets served by West Africa recorded a loss ratio of 21.18%, compared with 26.92% in 1992.

- The Abidjan Regional office also recorded an improvement, from 31.12% in 1992 to 18.35%.

- East Africa's loss ratio fell from 33.90% in



1992 to 28.39%.

- An improvement was also recorded in North Africa where the loss ratio dropped from 51.14% in 1992 to 38.11%.

COMMISSIONS AND CHARGES

In 1993, commissions and charges added up to US\$10,506,076, representing 32.51% of retained premiums, as against US\$9,888,122 or 34.07% of retained premium income in 1992. The commissions and charges remained higher in North Africa than in the other regions.

MANAGEMENT EXPENSES

Management expenses decreased slightly from 1992 levels despite the rising costs of goods and services. The saving was partly due to favourable currency translation effects on expenses incurred in local currencies and the fact that some posts at Management and other staff levels were vacant for some months in the year. This reduction, coupled with the year's increase in income resulted in an improved management expenses to retained premium ratio of 9.56% (1992 - 10.83%).

OTHER EXPENSES NOT CHARGED TO THE UNDERWRITING REVENUE ACCOUNT

There was a marginal increase of 2% in the Annual General Assembly expenses while the increase for the Board of Directors meeting was 29.6%. The latter was mainly due to the change in the rate of subsistence allowance following an increase in hotel expenses.

Also, the expenses of the short-listing committee for the post of General Manager added slightly to the cost.

The depreciation and amortisation increased from US\$111,233 in 1992 to US\$128,367 as the items bought during 1992 were depreciated for the whole year 1993. The audit fees however, remained the same.

RESULTS OF THE CLOSED UNDERWRITING YEAR 1991

In accordance with the Corporation's practice, the 1991 underwriting year which had been kept open for three consecutive years was closed on 31st December, 1993.

The underwriting year produced a total gross premium of US\$33,220,418 out of which

US\$4,673,645 was retroceded. Claims amounted to US\$10,968,239, while commissions, charges and management expenses added up to US\$11,997,410. A reserve of US\$3,182,025 was set aside for outstanding losses in line with the existing basis for reserve computation. After taking into consideration all the expenditure items, an underwriting profit of US\$2,399,099 was realised, representing an increase of 4% over the profit of US\$2,301,104 realised for the underwriting year 1990 closed for the first time in 1992. The surplus was transferred to the profit and loss account.

RESULTS OF THE 1993 FINANCIAL YEAR

The underwriting result of the year shows a general improvement of underwriting income and underwriting outgo. The gross premium increased by 10.96% while retrocession premiums increased by 43.6% to give an increase of 6.3% for the retained premium. The excess of income over outgo of US\$8,042,439 represents 79% increase over US\$4,493,209 of 1992. Out of this surplus, US\$4,248,570 went into the Reinsurance Fund, US\$1,657,616 into the Reserve Fund and the balance of US\$2,136,253 was the underwriting profit transferred to the profit and loss account.

Except for the other expenses which dropped to US\$172,905 (1992 - US\$200,000) and the audit fees that remained at the same level, all other items contributed to the profit of the year less than they did in 1992. Income from investment and other sources decreased by 8.6%, interest on reinsurance deposits by 7.5%, and realised gain on exchange by 36.4%. The General Assembly and Board of Directors Meetings expenses rose by 20.8% and depreciation and amortisation by 15.4%.

The overall profit for the year stood at US\$3,623,601 as against US\$4,121,287 in 1992.

APPROPRIATION OF RESULTS

In accordance with the Corporation's policy, the Board of Directors proposes to appropriate the profit of US\$3,623,601 for the financial year 1993 as follows:-

- US\$2,011,801 to the general and other reserves,
- US\$719,800 to be distributed as dividends at the rate of US\$400 per share subscribed and paid-up as at the end of the financial year under review, and
- the balance of US\$892,000 to be carried forward.



OTHER ACTIVITIES

ADHESION

In 1993, the Republic of Eritrea which was admitted into the Organisation of African Unity, solicited to adhere to the Corporation in line with Article 2, paragraph 1 of the Agreement, a request that was granted by the 15th Annual Ordinary Meeting of the General Assembly. Consequently, Eritrea subscribed and paid for 17 shares which were allocated to the State (Resolution No. 2/1993). It therefore became the 41st member State of Africa Re.

OPENING UP OF THE CAPITAL

In compliance with resolution No. 4/1990 on the increase and opening up of the capital, 35 national companies from 11 countries subscribed, as at 31st December, 1993, a total of 272 shares for US\$2,720,000 out of which US\$1,165,000 was paid up. That decision which took effect from 1st April, 1992 falls in line with the enthusiasm of African cedants which see therein not only an opportunity to make profitable investment, but also a way of participating more actively in the affairs of this continental Institution.

It should be recalled that the Board of Directors in accordance with Article 8, paragraph 2 of the Agreement, granted the companies flexible payment modalities for the subscribed shares:

- i) half of the value of subscribed shares at the time of adhesion,
- ii) 25% during the second year after adhesion,
- iii) the balance (25%) latest at the end of the third year.

It should also be noted that an attractive dividends policy was adopted, which takes into account both the necessity to consolidate the financial base of the Corporation and the need for adequate remuneration which is a motivating factor in any private investment.

RELATIONS WITH SISTER ORGANISATIONS

The main preoccupation of the Corporation's Management and Board has been the need to strengthen inter-African co-operation. Thus, Africa Re participated and made active contribution in the meetings of sub-regional and regional organisations in Africa as well as professional insurance and reinsurance associations such as the Federation of Nationally Incorporated Insurance Companies in Francophone Countries (FANAF), the African Insurance Organisation (AIO), West African Insurance Companies Association (WAICA), and the Federation of Afro-Asian Insurers and Reinsurers (FAIR).

It also attended the meeting of potential shareholders as well as the inaugural General Assembly meeting of The African Export - Import Bank (Afreximbank) where it has shares, and was represented at the Annual Assemblies of the ADB and ADF.

STAFF MATTERS

Following the inflation which was consequent upon the significant devaluation of the Nigerian currency (Naira) and the Kenya Shilling, as well as the depreciation of the Moroccan Dirham, the salaries of SP, G and M categories of staff in the 3 locations were reviewed with effect from 1st July, 1993. The staff strength of the Corporation as at 31st December, 1993 stood at 116 from 17 countries, comprising 29 senior officers (D and P), 70 General category staff (SP and G) and 17 manual workers.

TECHNICAL ASSISTANCE AND TRAINING

Between 11th and 15th October, 1993 the Corporation organised its annual seminar in Casablanca for cedants from French speaking countries. In attendance at the seminar were 34 participants from 12 countries representing all the sub-regions of the continent.

Africa Re continued to participate in the deliberation of the AIO technical sub-committee set up to study the modalities for the implementation of an Agricultural Insurance Scheme in African countries.

In addition, the Corporation received staff from ceding companies as well as other sub-regional reinsurers both at Headquarters and the Regional offices on attachment. From experience, this type of interaction is beneficial, in the sense that it facilitates communication between the Corporation, its cedants and other partners.

Finally, in 1993, the Corporation started organising seminars in some target markets (Ghana, Sierra Leone and The Gambia) in response to cedants' specific requests. At the same time, the Corporation's senior officers delivered lectures at insurance institutes in Yaounde and Banjul (WAICA Institute).

GENERAL ASSEMBLY

Following the invitation of the Republic of Côte d'Ivoire, the 15th Annual Ordinary Meeting of the General Assembly was held in Abidjan on 25th and 26th June, 1993.

Thirty three countries and the ADB representing 89.52% of the voting power of the General Assembly participated in the meeting which was declared open by Mr. Daniel KABLAN DUNCAN, Minister of Finance of Côte d'Ivoire with the ADB President, Mr. Babacar NDIAYE, in attendance.



First of all, the Chairman of the Board of Directors of the Corporation paid homage to the ADB for its pioneering role in the founding of the institution, namely by initiating the project of establishing an inter-African insurance and reinsurance company, organising the work of the technical committee and the experts preparatory committee meetings which studied the project, and participating actively in the affairs of the Corporation since it was set up. He then gave a report on the achievements of the Corporation which from 1978, had written about US\$ 505,781,131 worth of premium, out of which US\$ 484,246,219 was retained. Similarly, its membership grew within that period from 36 to 41 countries and the ADB. The Corporation's paid-up capital which initially stood at US\$4,660,000 currently amounts to US\$17,070,000 without calling on the shareholders to make additional disbursements. That capital was increased and paid-up on behalf of the shareholders by way of capitalisation of profit and other free reserves. One third of the authorised capital, which was increased to US\$ 30 million has now been opened up to national insurance companies. Finally, the Chairman of the Board announced the distribution of the dividend of US\$ 600 per share i.e. a total of US\$ 1,024,000 for 1992.

In his speech, the ADB President, Mr. Babacar NDIAYE expressed satisfaction with the complementary role Africa Re is playing in relation to the activities of the Bank. In effect, both institutions are participants in the social and economic development of Africa: one mobilises institutional savings, while the other invests in member countries. He also expressed satisfaction with the Corporation's achievements in spite of the unfavourable economic environment and commended its decision to open up its capital to national companies in Africa and to participate in the equity of insurance companies. He stated that the Bank was proud to note that Africa Re was one of the participants in the capital of The African Export-Import Bank (Afreximbank) and encouraged Management and the Board to continue in their effort to distribute dividends. Finally, he congratulated Mr. Bakary KAMARA, the new General Manager, for his brilliant election to head Africa Re.

His Excellency, Mr. KABLAN DUNCAN, thanked the African Reinsurance Corporation for accepting his country's invitation, a decision which comes after the opening of the 3rd Regional Office in Abidjan in 1987. These two actions are a testimony of the confidence the Institution has in Côte d'Ivoire and its leaders for their faith in inter-African economic co-operation. He lamented that despite the effort of the Corporation and other local reinsurers, a substantial volume of reinsurance premium was still being ceded outside the continent. Therefore, he appealed to all ceding companies to increase their support for African

reinsurers. He urged the General Assembly to adopt a generally accepted definition of the concept of "national company" in the interest of Africa Re.

The Honourable Minister also congratulated the new General Manager and declared open the 15th Annual Ordinary Meeting.

During its deliberations, the General Assembly accepted the adhesion of the Republic of Eritrea and approved the final accounts of the Corporation as at 31st December, 1992, which recorded a net profit of US\$ 4,121,287. Therefore, in accordance with the Corporation's policy, it decided that a total of US\$ 1,024,000 be distributed as dividends, US\$2,060,644 be transferred into the General reserve and US\$ 1,036,443 be carried forward to strengthen the financial base of the Institution.

Furthermore, the General Assembly decided to maintain the definition of the notion of national company as contained in the Agreement and invited the Board to continue the study initiated thereon in order to find a consensus. It also took note of the election of Mr. Mohamed Yousif Ali (Sudan) as Director to replace Mr. Ezzat ABDEL BARY (Egypt) who resigned, and the appointment of Mr. Selim KHAIRY A.H. (Egypt) as his Alternate.

The auditing firm, AKINTOLA WILLIAMS & CO.(Nigeria) was appointed, for a third and final mandate, as External Auditors for the Corporation to audit the accounts for the year ending 31st December, 1993.

In conclusion, the General Assembly took note of the pledge made by the General Manager, Mr. Bakary KAMARA, to fulfil his functions selflessly and loyally as well as work, with the help of all concerned, to raise higher the standard of the Corporation and the African insurance industry.

BOARD OF DIRECTORS

During the year under review, the Board held 3 meetings at the following venues and dates:

- 58th meeting in Casablanca, on 13th and 14th April, 1993,
- 59th meeting in Abidjan on 22nd June 1993, and
- 60th meeting in Lagos on 15th and 16th November, 1993.

An extraordinary session was held on 21st June, 1993 in Abidjan to interview and elect a new General Manager following a vacancy in that post.

In addition to issues relating to the general activities of the Corporation, the Board took other decisions, some of which have been mentioned in this report.



EVOLUTION OF PREMIUM INCOME IN ORIGINAL CURRENCIES/US\$ EQUIVALENT
R.O.E AS AT END OF YEAR

CURRENCY: IN MILLION

CURRENCY		1988	1989	1990	1991	1992	1993
1. Algeria Dinar		4.18	8.59	16.58	12.77	32.51	58.93
	US\$	0.6594	1.0757	1.3805	0.6033	1.4711	2.4694
2. Egypt Pound		2.72	3.80	4.24	5.31	5.11	5.00
	US\$	1.2535	1.7364	1.5324	1.6285	1.5979	1.4853
3. Libya Dinar		0.96	0.76	0.56	0.63	0.71	1.05
	US\$	3.3608	2.5574	2.0729	2.1804	2.4691	3.4428
4. Mauritania Ouguiya		12.43	12.99	11.95	10.85	7.58	8.82
	US\$	0.1576	0.1496	0.1516	0.1297	0.0714	0.0718
5. Morocco Dirham		14.79	20.26	26.31	26.44	29.96	33.00
	US\$	1.8290	2.5343	3.2696	3.2871	3.5851	3.4928
6. Sudanese Dinar		3.58	5.23	5.04	11.19	26.01	58.47
	US\$	0.7968	0.4672	0.4401	0.7436	0.2597	0.4505
7. Tunisia Dinar		0.50	0.56	0.59	0.93	0.86	1.03
	US\$	0.5588	0.6257	0.7071	1.0641	0.9161	0.9926
8. Gambia Dalasi		0.24	0.13	0.22	0.43	0.60	0.55
	US\$	0.0349	0.0174	0.0293	0.0467	0.0684	0.0655
9. Ghana Cedi		67.32	78.06	92.12	88.69	132.99	170.39
	US\$	0.2902	0.2550	0.2687	0.2267	0.2557	0.2174
10. Nigeria Naira		21.23	28.36	30.64	43.90	59.07	82.34
	US\$	3.9669	3.7322	3.5192	4.4636	2.8110	2.0612
11. Sierra Leone Leone		0.03	0.03	8.04	9.06	14.88	44.60
	US\$	0.0007	0.0005	0.0479	0.0221	0.0283	0.0812
12. CFA Franc		2,249.60	1,871.69	2,044.03	2,152.90	2,211.68	2,424.55
	US\$	7.4278	6.4697	8.0346	8.2961	8.1425	8.2126
13. Guinea Bissau Peso		2.20	5.70	0.99	0.47	-	1.21
	US\$	0.0034	0.0088	0.0015	0.00009	-	0.000243
14. Guinea Republic Franc		0.65	29.53	46.09	84.95	58.99	182.63
	US\$	0.0022	0.0989	0.0743	0.1042	0.0726	0.2252
15. Zaire Republic Zaire		23.72	26.04	38.20	45.59	-	-
	US\$	0.0886	0.0599	0.0204	0.0007	-	-
16. Angola Kwanza		19.57	24.80	36.10	33.70	262.20	516.66
	US\$	0.6485	0.8290	1.1966	0.3815	0.4585	0.07815
17. Botswana Pula		0.37	0.41	0.60	1.75	1.80	1.28
	US\$	0.1931	0.2193	0.3234	0.8392	0.7938	0.4952
18. Burundi Franc		21.20	31.21	42.38	49.51	68.31	108.47
	US\$	0.1423	0.1837	0.2603	0.2624	0.2869	0.4078
19. Djibouti Franc		9.04	11.22	2.99	-	16.02	2.45
	US\$	0.0522	0.0633	0.0171	-	0.0891	0.0138
20. Ethiopia Birr		2.96	2.09	2.33	2.19	2.55	4.85
	US\$	1.4363	1.0208	1.1359	1.0635	0.5152	0.9849
21. Kenya Shilling		65.35	101.62	125.42	156.30	150.63	234.81
	US\$	3.5685	4.7775	5.2281	5.5668	4.0203	3.4482
22. Lesotho Maloti		0.25	0.20	0.15	0.31	0.26	0.34
	US\$	0.1033	0.0799	0.0584	0.1139	0.0856	0.0992
23. Madagascar Franc		117.45	189.30	358.63	665.71	956.13	950.21
	US\$	0.0845	0.1448	0.2682	0.4324	0.5118	0.5145
24. Malawi Kwacha		0.03	0.04	0.12	0.28	0.41	1.17
	US\$	0.01002	0.0169	0.0464	0.1084	0.0957	0.2612
25. Mauritius Rupee		10.62	14.81	16.12	21.21	27.26	48.79
	US\$	0.7764	1.0121	1.1483	1.4508	1.6324	2.6388
26. Mozambique Metical		-	5.30	12.44	54.29	101.99	333.84
	US\$	-	0.0065	0.0061	0.0174	0.0373	0.0632
27. Rwanda Franc		21.79	22.11	9.34	15.87	22.38	28.42
	US\$	0.2839	0.2849	0.0786	0.1340	0.1526	0.2000
28. Seychelles Rupee		0.37	0.29	0.39	0.70	0.65	0.88
	US\$	0.0696	0.0554	0.0793	0.1435	0.1268	0.1649
29. Somali Shilling		1.94	1.79	1.06	-	-	-
	US\$	0.0080	0.0044	0.0004	-	-	-
30. Swazi Lilangeni		0.54	0.70	0.87	1.24	0.78	0.45
	US\$	0.2258	0.2750	0.3389	0.4503	0.2604	0.1331
31. Tanzania Shilling		37.75	80.79	88.52	66.91	158.43	176.98
	US\$	0.3076	0.5124	0.4531	0.2871	0.4728	0.3724
32. Uganda Shilling		8.93	30.04	55.34	84.72	144.66	220.61
	US\$	0.0542	0.8128	0.9470	0.9190	0.1187	0.1949
33. Zambia Kwacha		1.91	2.92	6.83	18.00	41.08	105.87
	US\$	0.2000	0.1412	0.1488	0.2061	0.1263	0.1622
34. Zimbabwe Dollar		2.33	1.79	1.81	1.58	4.24	4.61
	US\$	1.2085	0.7951	0.6836	0.3128	0.7817	0.6667
35. United States Dollar		0.91	0.70	1.33	1.56	1.47	3.67
36. U.K. Pound Sterling		0.24	0.23	0.24	0.24	0.10	0.23
	US\$	0.4403	0.3781	0.4607	0.4541	0.1594	0.3365



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REPORT OF THE EXTERNAL AUDITORS

TO THE SHAREHOLDERS OF AFRICAN REINSURANCE CORPORATION

We have examined the balance sheet of African Reinsurance Corporation at 31 December, 1993 and the related profit and loss account, underwriting revenue account and statement of cashflows for the year then ended. Our examination was made in accordance with international auditing guidelines and accordingly, included such tests of the accounting records and such auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of African Reinsurance Corporation at 31 December, 1993 and the results of its operations and cashflows for the year then ended using the accounting policies stated in Note 2, which has been applied in a manner consistent with that of the preceding year.


Akintola Williams & Co

18 April, 1994



AFRICAN REINSURANCE BALANCE SHEET AT

ASSETS		1993	1992
	Note	US\$	US\$
CURRENT ASSETS			
Amounts due from Companies on Reinsurance Accounts		11,607,343	8,279,168
Deposits retained by Ceding Companies		31,439,222	31,043,726
Sundry Debtors, Accrued Interest and Prepayments		755,358	1,530,624
Cash and Bank Balances	3	6,772,596	5,676,864
		50,574,519	46,530,382
INVESTMENTS			
	4	18,624,196	15,542,607
FIXED ASSETS			
	5	675,308	712,788
RETROCESSIONAIRES' SHARE IN RESERVE FUNDS			
	9	4,173,838	3,735,593
		74,047,861	66,521,370


EUGENE OKWOR
 Chairman

The accompanying notes form an integral part of the Financial Statements



CORPORATION
31ST DECEMBER, 1993

LIABILITIES, CAPITAL AND RESERVES		1993	1992
	Note	US\$	US\$
CURRENT LIABILITIES			
Amounts due to Companies on Reinsurance Accounts		6,174,587	4,427,751
Deposits due to Retrocessionaires		4,833,006	6,550,672
Dividend Payable		1,280,800	1,024,200
Other Creditors, Accruals & Provisions		604,880	1,075,803
		12,893,273	13,078,426
PAID-UP CAPITAL			
	6	17,995,000	17,070,000
RESERVES			
Share premium		956,913	391,924
General Reserve		3,917,106	2,105,303
Other Reserves	7	400,000	3,235,616
Retained Earnings		5,411,680	6,519,680
Cumulative Translation Adjustment	8	(7,191,928)	(9,200,965)
		3,493,771	3,051,558
		21,488,771	20,121,558
REINSURANCE AND RESERVE FUNDS			
	9	39,665,817	33,321,386
		74,047,861	66,521,370

Bakary KAMARA
General Manager

The accompanying notes form an integral part of the Financial Statements



AFRICAN REINSURANCE PROFIT & LOSS ACCOUNT FOR THE YEAR

EXPENDITURE	Note	1993 US\$	1992 US\$
General Assembly and Board of Directors' Meetings		352,205	291,471
Audit Fee		35,000	35,000
Depreciation and Amortisation	5	128,367	111,233
Other Expenses		172,905	200,000
Profit for the Year		3,623,601	4,121,287
		4,312,078	4,758,991
APPROPRIATIONS:			
Bonus Shares		-	6,810,000
Proposed Dividend		719,800	1,024,200
Transfer to Cumulative Translation Adjustment	8	4,083,031	-
Transfer to Reserves	10	2,011,801	2,060,644
Retained Profit at 31st December		5,411,680	6,519,680
		12,226,312	16,414,524

The accompanying notes form an integral part of the Financial Statements



CORPORATION
ENDED 31ST DECEMBER, 1993

INCOME	1993	1992
	US\$	US\$
Underwriting Profit	2,136,253	2,330,325
Income from Investments and Other sources	1,218,477	1,333,315
Interest on Reinsurance Deposits	835,143	903,104
Realised gain on Exchange	122,205	192,247
	4,312,078	4,758,991
Retained Profit at 1st January	6,519,680	12,293,237
Profit for the Year	3,623,601	4,121,287
Balances released on portfolio withdrawal	2,083,031	
	12,226,312	16,414,524

The accompanying notes form an integral part of the Financial Statements



AFRICAN REINSURANCE REVENUE ACCOUNT FOR THE YEAR ENDED

OUTGO	Gross	Retrocession	NET	NET
			1993	1992
	US\$	US\$	US\$	US\$
LOSSES PAID	11,253,256	572,375	10,680,881	12,883,435
Add:				
Outstanding Loss Reserve at the end of the year	20,040,392	4,173,838	15,866,554	14,208,938
Deduct:				
Outstanding Loss Reserve at the beginning of the year	17,944,531	3,735,593	14,208,938	13,432,901
LOSSES INCURRED	13,349,117	1,010,620	12,338,497	13,659,472
COMMISSIONS	11,910,591	2,052,305	9,858,286	9,373,867
CHARGES	720,929	73,139	647,790	512,254
	<u>25,980,637</u>	<u>3,136,064</u>	22,844,573	23,545,593
MANAGEMENT EXPENSES			3,090,058	3,141,605
Underwriting Profit transferred to Profit & Loss Account			2,136,253	2,330,325
			<u>28,070,884</u>	<u>29,017,523</u>

The accompanying notes form an integral part of the Financial Statements



CORPORATION
31ST DECEMBER, 1993

I N C O M E	Gross	Retrocession	NET	NET
			1993	1992
	US\$	US\$	US\$	US\$
PREMIUM NET OF CANCELLATIONS	38,568,305	6,248,851	32,319,454	30,404,370
Add:				
Reinsurance Fund at the beginning of the year	19,128,758	3,751,903	15,376,855	13,990,008
Deduct:				
Reinsurance Fund at the end of the year	25,894,433	6,269,008	19,625,425	15,376,855
EARNED PREMIUM	<u>31,802,630</u>	<u>3,731,746</u>	28,070,884	29,017,523
			<u>28,070,884</u>	<u>29,017,523</u>

The accompanying notes form an integral part of the Financial Statements



AFRICAN REINSURANCE CORPORATION
UNDERWRITING RESULTS BY CLASS OF BUSINESS
FOR THE YEAR ENDED 31ST DECEMBER, 1993

	Fire and Accident	Marine and Aviation	Life	TOTAL 1993	TOTAL 1992
	US\$	US\$	US\$	US\$	US\$
Underwriting Income:					
Gross Premiums	26,155,895	10,863,152	1,549,259	38,568,306	34,754,970
Less: Retrocession Premiums	4,853,106	1,395,746	-	6,248,852	4,350,600
	<u>21,302,789</u>	<u>9,467,406</u>	<u>1,549,259</u>	<u>32,319,454</u>	<u>30,404,370</u>
Underwriting Outgo:					
Claims	7,052,204	3,067,209	561,468	10,680,881	12,883,435
Commissions	6,345,814	3,120,071	392,401	9,858,286	9,373,867
Charges	435,779	208,459	3,552	647,790	512,254
Management expenses	2,095,587	870,346	124,125	3,090,058	3,141,600
	<u>15,929,384</u>	<u>7,266,085</u>	<u>1,081,546</u>	<u>24,277,015</u>	<u>25,911,160</u>
Excess of income over outgo	5,373,405	2,201,321	467,713	8,042,439	4,493,210
Reinsurance & Reserve Funds:					
At 1st January	14,829,595	12,575,892	2,180,306	29,585,793	27,422,900
At 31st December	<u>(18,551,152)</u>	<u>(14,382,103)</u>	<u>(2,558,724)</u>	<u>(35,491,979)</u>	<u>(29,585,793)</u>
Underwriting Profit transferred to Profit & Loss Account	1,651,848	395,110	89,295	2,136,253	2,330,320

The accompanying notes form an integral part of the Financial Statements



AFRICAN REINSURANCE CORPORATION
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 1993

	1993	1992
	US\$	US\$
CASH FLOWS FROM OPERATIONS:		
Operating Profit	3,623,601	4,121,287
Adjustments to reconcile operating profit to net cash generated from operations:		
Depreciation and Amortisation	128,367	111,233
(Profit) / Loss from sale of fixed assets	(3,285)	1,171
Reinsurance & Reserve Funds	5,906,186	2,162,884
Amounts due from Companies on Reinsurance Accounts	(3,328,175)	1,367,419
Deposits Retained by Ceding Companies	(395,496)	(318,107)
Sundry Debtors, Accrued Interest & Prepayments	775,266	(580,696)
Amounts due to Companies on Reinsurance Accounts	1,746,836	(283,834)
Deposits due to Retrocessionaires	(1,717,666)	290,328
Other Creditors, Accruals & Provisions	(470,923)	116,225
	<u>2,641,110</u>	<u>2,866,623</u>
Net Cash generated from Operations	6,264,711	6,987,910
Adjustments for non-cash items taken to Shareholders Funds:		
Cumulative Translation Adjustment	(5,109,610)	(5,170,037)
Balances released on Portfolio withdrawal	<u>2,083,031</u>	<u>-</u>
	<u>3,238,132</u>	<u>1,817,873</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Proceeds on sale of Shares	1,489,989	854,684
CASH FLOWS FROM INVESTMENT ACTIVITY:		
Proceeds on sale of Fixed Assets	3,288	7,431
Purchase of Fixed Assets	(90,888)	(182,576)
Dividend Paid	(463,200)	-
Investments made	(3,081,589)	(2,054,082)
	<u>(3,632,389)</u>	<u>(2,229,227)</u>
Net Increase in Bank and Cash Balances	1,095,732	443,330
BANK AND CASH BALANCES:		
At 1st January	<u>5,676,864</u>	<u>5,233,534</u>
At 31st December	<u>6,772,596</u>	<u>5,676,864</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 1993

NOTE 1

OPERATIONS

The African Reinsurance Corporation was established by member States of the Organisation of African Unity and the African Development Bank as an inter-governmental institution for the purposes of:-

- (a) mobilizing financial resources from insurance and reinsurance operations;
- (b) investing in Africa such funds to help accelerate economic development; and
- (c) fostering the development of the insurance and reinsurance industry in Africa by promoting the growth of national, regional and sub-regional underwriting and retention capacities.

NOTE 2

ACCOUNTING POLICIES

The Corporation's accounting policies are in general conformity with standards adopted by the International Standards Committee and practices prevailing within the insurance industry. The following is a summary of the significant accounting policies adopted in the preparation of the financial statements:-

(a) Revenue Recognition

Premiums and underwriting expenses are credited and debited respectively to the underwriting revenue account when advised by ceding companies.

(b) Underwriting Revenue Account and Reinsurance and Reserve Funds

All underwriting accounts are maintained on an underwriting year basis. The accounts of each underwriting year are kept open for three years during which the surplus of income over outgo is carried forward as Reinsurance Funds. By that time a sufficiently accurate determination of outstanding liabilities can generally be made to permit the account to be "closed" and the underwriting profit or loss determined. At the end of the third year of each underwriting year when the underwriting accounts are closed, the reinsurance funds are brought back to the revenue accounts of the said year and a Reserve Fund created on the basis of the Corporation's loss experience, to meet any outstanding claims. The adequacy of the Reserve Fund is reviewed at the end of each subsequent year in the light of

projections of the ultimate development of premiums and claims and adjustments made accordingly.

(c) Currency Translation

The financial statements expressed in the various functional currencies of the member States are translated into the Corporation's reporting currency, the United States Dollar, using the closing rate method. Operational expenses are translated at rates prevailing at the date such expenses are incurred. The resultant unrealised translation adjustment is recorded as a separate component of Shareholders' Funds. Exchange differences arising from the settlement of monetary items are taken to the profit and loss account.

(d) Investments

Short term investments are stated at the lower of cost or market value. Long term investments are stated at cost unless there is a permanent decrease in their value, in which case a provision is made therefor.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of fixed assets in equal annual instalments over the estimated useful life of each category of fixed assets using the following annual rates:-

Freehold and Capital Leasehold Property
2% or over the leasehold period if less than 50 years.

Furniture, Fittings and Equipment
Between 12.50% and 33.33%

Motor Vehicles - 25%.

(f) Debtors

Debtors are stated after writing off specific debts that are considered irrecoverable.

(g) Management Expenses

Management expenses are apportioned to the classes of business in the Revenue Account on the basis of the net premium and wholly charged to the current underwriting year.



NOTE 3

BANK AND CASH BALANCES

The balances include an equivalent of **US\$1,086,088** (1992: US\$ 1,862,672) representing temporary short term deposits in member States' currencies, of which part awaited approval for conversion to United States Dollars.

NOTE 4

INVESTMENTS

Investments at cost which include Straight Bonds with a market value of **US\$4,031,029** at 31st December, 1993 (1992: US\$ 3,210,102) are made up of:-

	1993 US\$	1992 US\$
Participation in Shelter-Afrique	1,020,000	1,020,000
Participation in The African Export - Import Bank (see note below)	200,000	-
Straight Bonds	3,567,962	3,151,829
Short-term deposits	13,836,234	11,370,778
	<u>18,624,196</u>	<u>15,542,607</u>

During the year, the Corporation subscribed to US\$1,000,000 share capital in The African Export-Import Bank. In line with the terms of allotment, the first instalment of US\$200,000 was duly paid in 1993 while the balance of US\$800,000 is payable in four equal annual instalments of US\$200,000 each beginning in 1994.

NOTE 5

FIXED ASSETS

	Freehold & Capital Leasehold Property US \$	Furniture Fittings & Equipment US\$	Motor Vehicles US\$	Total 1993 US\$	Total 1992 US\$
COST					
At 1st January	369,709	1,396,080	309,001	2,074,790	1,911,599
Additions during the year	-	90,888	-	90,888	182,576
Disposals during the year	-	(8,123)	(2,423)	(10,546)	(19,384)
At 31st December	<u>369,709</u>	<u>1,478,845</u>	<u>306,578</u>	<u>2,155,132</u>	<u>2,074,791</u>
DEPRECIATION					
At 1st January	74,135	1,101,131	186,737	1,362,003	1,261,552
Charge for the year	7,323	73,762	47,282	128,367	111,233
On disposals during the year	-	(8,123)	(2,423)	(10,546)	(10,782)
At 31st December	<u>81,458</u>	<u>1,166,770</u>	<u>231,596</u>	<u>1,479,824</u>	<u>1,362,003</u>
NET BOOK VALUE					
At 31st December	<u>288,251</u>	<u>312,075</u>	<u>74,982</u>	<u>675,308</u>	<u>712,788</u>



NOTE 6

CAPITAL STOCK AND PAID-UP CAPITAL

(i) The Authorised Capital of the Corporation is US\$ 30 million made up of 3,000 shares of US\$ 10,000 each. Two-thirds of the share capital is available for subscription by the Member States of the Organisation of African Unity and the African Development Bank, while the remaining one-third is available to national insurance and / or reinsurance institutions of the Member States.

During the year, 243 shares were subscribed by a member state and some national insurance / reinsurance companies. Out of these, 58 shares were fully paid while 69 shares were partly paid in line with the terms of allotment.

(ii) The paid-up capital is made up as follows:

	1993 US\$	1992 US\$
Capital Allotted and Subscribed	19,550,000	17,120,000
Called up and Unpaid	(1,555,000)	(50,000)
Subscribed and Paid-up Capital (See Annex 1)	<u>17,995,000</u>	<u>17,070,000</u>

NOTE 7

OTHER RESERVES

	Reserve for Exchange Fluctuation	Reserve for Loss Fluctuation	Total 1993	Total 1992
	US\$	US\$	US\$	US\$
Balance at 1st January	3,035,616	200,000	3,235,616	2,110,331
Transfer to Cumulative Translation Adjustment	(3,035,616)	-	(3,035,616)	(574,715)
Transfer from Profit & Loss Account (Note 10)	-	200,000	200,000	1,700,000
Balance at 31st December	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>3,235,616</u>

NOTE 8

CUMULATIVE TRANSLATION ADJUSTMENT

	1993 US\$	1992 US\$
Balance at 1st January	9,200,965	4,605,643
Translation Adjustment for the year	5,109,610	5,170,037
Transfer from Reserve for Exchange Fluctuation (Note 7)	(3,035,616)	(574,715)
Transfer from Profit & Loss Account	(4,083,031)	-
Balance at 31st December	<u>7,191,928</u>	<u>9,200,965</u>



NOTE 9

REINSURANCE AND RESERVE FUNDS

These represent the underwriting results of the still open years and reserves for outstanding claims for the closed underwriting years respectively. The composition is as follows:-

	Fire & Accident US\$	Marine & Aviation US\$	Life US\$	Total 1993 US\$	Total 1992 US\$
GROSS					
Reinsurance Fund	13,839,566	5,342,817	443,042	19,625,425	15,376,855
Reserve for outstanding claims	5,647,880	12,276,830	2,115,682	20,040,392	17,944,531
	<u>19,487,446</u>	<u>17,619,647</u>	<u>2,558,724</u>	<u>39,665,817</u>	<u>33,321,386</u>
Retrocessionaires' share in					
Reserve for outstanding claims	936,294	3,237,544	-	4,173,838	3,735,593

NOTE 10

TRANSFER TO RESERVES

Transfer to Reserves is made up of the following:

	1993 US\$	1992 US\$
General Reserve	1,811,801	360,644
Reserve for Exchange Fluctuation	-	1,500,000
Reserve for Loss Fluctuation	200,000	200,000
	<u>2,011,801</u>	<u>2,060,644</u>

NOTE 11

TAXATION

No provision for tax is made in the financial statements as the Corporation is not subject to tax in the markets in which it operates in accordance with Article 51 of the Establishment Agreement.

NOTE 12

RELATED PARTY TRANSACTIONS

A portion of the Corporation's underwriting business is transacted with ceding companies which are shareholders of the Corporation



ANNEX 1

STATEMENT OF SUBSCRIPTIONS & VOTING POWER AS AT 31ST DECEMBER 1993

	Number of shares	Value of Shares	Amount not Subscribed	Amount Subscribed	Called Up and Paid	Called Up and Unpaid	Voting Power
MEMBER STATES							
1. Algeria	98	980,000		980,000	980,000		5.45
2. Angola	28	280,000		280,000	280,000		1.56
3. Benin	17	170,000		170,000	170,000		0.94
4. Burkina Faso	18	180,000		180,000	180,000		1.00
5. Burundi	17	170,000		170,000	170,000		0.94
6. Cameroun	50	500,000		500,000	500,000		2.78
7. Central African Republic	17	170,000		170,000	170,000		0.94
8. Chad	20	200,000		200,000	200,000		1.11
9. Congo	22	220,000		220,000	220,000		1.22
10. Cote d'Ivoire	41	410,000		410,000	410,000		2.28
11. Egypt	98	980,000		980,000	980,000		5.45
12. Ethiopia	46	460,000		460,000	460,000		2.56
13. Eritrea	17	170,000		170,000	170,000		0.94
14. Gabon	28	280,000		280,000	280,000		1.56
15. Gambia	17	170,000		170,000	170,000		0.94
16. Ghana	55	550,000		550,000	550,000		3.06
17. Guinea	17	170,000		170,000	170,000		0.94
18. Guinea Bissau	17	170,000		170,000	170,000		0.94
19. Kenya	43	430,000		430,000	430,000		2.39
20. Liberia	17	170,000		170,000	170,000		0.94
21. Libya	98	980,000		980,000	980,000		5.45
22. Mali	17	170,000		170,000	170,000		0.94
23. Madagascar	30	300,000		300,000	300,000		1.67
24. Mauritania	20	200,000		200,000	200,000		1.11
25. Mauritius	23	230,000		230,000	230,000		1.28
26. Morocco	98	980,000		980,000	980,000		5.45
27. Niger	17	170,000		170,000	170,000		0.94
28. Nigeria	98	980,000		980,000	980,000		5.45
29. Rwanda	17	170,000		170,000	170,000		0.94
30. Senegal	35	350,000		350,000	350,000		1.94
31. Seychelles	17	170,000		170,000	170,000		0.94
32. Sierra Leone	22	220,000		220,000	220,000		1.22
33. Somalia	20	200,000		200,000	200,000		1.11
34. Sudan	50	500,000		500,000	500,000		2.78
35. Swaziland	18	180,000		180,000	180,000		1.00
36. Tanzania	40	400,000		400,000	400,000		2.22
37. Togo	18	180,000		180,000	180,000		1.00
38. Tunisia	41	410,000		410,000	410,000		2.28
39. Uganda	36	360,000		360,000	360,000		2.00
40. Zaïre	31	310,000		310,000	310,000		1.72
41. Zambia	56	560,000		560,000	560,000		3.11
42. African Development Bank	200	2,000,000		2,000,000	2,000,000		11.11
SUB-TOTAL	1685	16,850,000		16,850,000	16,850,000		93.64
NON MEMBER STATES							
1. Botswana	17	170,000	170,000				
2. Cape Verde	17	170,000	170,000				
3. Djibouti	17	170,000	170,000				
4. Equatorial Guinea	17	170,000	170,000				
5. Lesotho	17	170,000	170,000				
6. Malawi	17	170,000	170,000				
7. Mozambique	31	310,000	310,000				
8. Namibia	17	170,000	170,000				
9. Sao Tome & Principe	17	170,000	170,000				
10. Zimbabwe	50	500,000	500,000				
	217	2,170,000	2,170,000				
NON ALLOCATED SHARES	98	980,000	980,000				
SUB-TOTAL	315	3,150,000	3,150,000				
TOTAL	2000	20,000,000	3,150,000	16,850,000	16,850,000		93.64



STATEMENT OF SUBSCRIPTIONS & VOTING POWER AS AT 31ST DECEMBER 1993

ANNEX 1 Contd.

	Number of shares	Value of Shares	Amount not Subscribed	Amount Subscribed	Called Up and Paid	Called Up and Unpaid	Voting Power
NATIONAL COMPANIES IN MEMBER COUNTRIES							
1. Algeria	56	560,000		560,000	30,000	530,000	0.17
2. Angola	16	160,000	160,000				
3. Benin	9	90,000		90,000	90,000		0.50
4. Burkina Faso	10	100,000	100,000				
5. Burundi	9	90,000		90,000	75,000	15,000	0.42
6. Cameroun	28	280,000	280,000				
7. Central African Republic	9	90,000	90,000				
8. Chad	11	110,000	110,000				
9. Congo	12	120,000	120,000				
10. Cote d'Ivoire	22	220,000	220,000				
11. Egypt	56	560,000	560,000				
12. Ethiopia	26	260,000	260,000				
13. Eritrea	9	90,000	90,000				
14. Gabon	15	150,000	150,000				
15. Gambia	9	90,000	90,000				
16. Ghana	30	300,000	300,000				
17. Guinea	9	90,000	90,000				
18. Guinea Bissau	9	90,000	90,000				
19. Kenya	24	240,000		240,000	40,000	200,000	0.22
20. Liberia	9	90,000	90,000				
21. Libya	56	560,000		560,000	280,000	280,000	1.56
22. Mali	9	90,000	90,000				
23. Madagascar	17	170,000		170,000	170,000		0.94
24. Mauritania	11	110,000	110,000				
25. Mauritius	14	140,000		140,000	125,000	15,000	0.69
26. Morocco	56	560,000	560,000				
27. Niger	9	90,000	90,000				
28. Nigeria	56	560,000		560,000	135,000	425,000	0.75
29. Rwanda	9	90,000		90,000	90,000		0.50
30. Senegal	19	190,000	190,000				
31. Seychelles	9	90,000	90,000				
32. Sierra Leone	12	120,000	120,000				
33. Somalia	11	110,000	110,000				
34. Sudan	28	280,000	280,000				
35. Swaziland	10	100,000	100,000				
36. Tanzania	21	210,000	210,000				
37. Togo	10	100,000	100,000				
38. Tunisia	22	220,000	220,000				
39. Uganda	20	200,000		200,000	110,000	90,000	0.61
40. Zaire	18	180,000	180,000				
41. Zambia	31	310,000	310,000				
SUB-TOTAL	826	8,260,000	5,560,000	2,700,000	1,145,000	1,555,000	6.36
NATIONAL COMPANIES IN NON MEMBER COUNTRIES							
1. Botswana	9	90,000	90,000				
2. Cape Verde	9	90,000	90,000				
3. Djibouti	9	90,000	90,000				
4. Equatorial Guinea	9	90,000	90,000				
5. Lesotho	9	90,000	90,000				
6. Malawi	9	90,000	90,000				
7. Mozambique	18	180,000	180,000				
8. Namibia	9	90,000	90,000				
9. Sao Tome & Principe	9	90,000	90,000				
10. Zimbabwe	28	280,000	280,000				
SUB-TOTAL	118	1,180,000	1,180,000				
NON ALLOCATED SHARES	56	560,000	560,000				
SUB-TOTAL	174	1,740,000	1,740,000				
TOTAL	1000	10,000,000	7,300,000	2,700,000	1,145,000	1,555,000	6.36
GRAND TOTAL	3000	30,000,000	10,450,000	19,550,000	17,995,000	1,555,000	100



CONSIDERING the Agreement Establishing the African Reinsurance Corporation;

GRATEFUL to the Republic of Côte d'Ivoire for the facilities provided the Corporation during its 15th Annual Ordinary Meeting held in Abidjan, and for the brotherly welcome and warm hospitality shown to Representatives of member States and observers by the people, Government and President of Côte d'Ivoire, His Excellency, Félix HOUPOUET BOIGNY, who is renowned for his commitment to Peace and African Unity;

EXPRESSES its sincere gratitude to the President and Government of Côte d'Ivoire for the attention

paid to deliberations at this meeting and for the obvious goodwill and interest shown in the outcome of the 15th Annual Ordinary Meeting;

REQUESTS its Chairman to convey through the appropriate authorities to His Excellency, Félix HOUPOUET BOIGNY, the Government and people of Côte d'Ivoire its appreciation of their constant support for Africa Re and for making it possible to successfully hold the 15th Annual Ordinary Meeting of the General Assembly in Abidjan.

