



**AFRICAN REINSURANCE CORPORATION  
GENERAL ASSEMBLY  
19TH ANNUAL ORDINARY MEETING  
CONAKRY, GUINEA, 26<sup>TH</sup> AND 27<sup>TH</sup> JUNE, 1997**

**AFRICARE/GA/21/138**

**Report of the Board of Directors  
covering the period  
1st January to 31st December, 1996**



**AFRICAN REINSURANCE CORPORATION  
SOCIÉTÉ AFRICAINE DE REASSURANCE**

**HEADQUARTERS**

Reinsurance House  
46 Marina  
P.M.B. 12765  
Lagos, Nigeria

Tel: 2663282, 2663323, 2663441  
Tlx: 28716 AFRICA NG/22647 AFRICA NG  
Telefax: 2668802

**REGIONAL OFFICES**

Tour Atlas  
Place Zallaqa  
BP 7556  
Casablanca, Morocco

Tel: 309111/308585  
Tlx: 28079 M  
Telefax: 307964

Reinsurance Plaza  
P.O. Box 62328  
Nairobi, Kenya

Tel: 330630/330637/8/9  
Tlx: 23289 AFRICARE  
Telefax: 339515

Résidence Azur  
18, Avenue Dr. Crozet  
B.P. 1623  
Abidjan 20, Côte d'Ivoire

Tel: 211050/211995  
Tlx: 22345 AFRE CI  
Telefax: 213193

**Johannesburg (Contact Office)**  
22 Gilton Road, Werksman Chambers  
Ground Floor - East Parktown  
Johannesburg, South Africa

Tel: (27-11) 484 3764/3758/1920/1710  
Fax: (27-11) 484 1001

Honourable Representatives  
General Assembly  
African Reinsurance Corporation

Date: 26<sup>th</sup> June, 1997

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, 1996, as well as the Summary of the Administrative Budget for the financial year 1997.

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

**MUSA S. AL NAAS**  
Chairman of the Board of Directors  
and General Assembly.



## COMPOSITION OF AFRICA RE BOARD OF DIRECTORS



Mr. M. Al Naas  
Chairman



Mr. W. Mbote  
Vice-Chairman



Mr. S. Appiah-Ampofo



Mr. I. Boukari-Yabara



Mr. F. Bennis



Mr. M. Ferrani



Mr. E.Y.N. Ilondo



Mr. S. Kaba



Mr. H. Kumsa



Mr. E. Samakai



Mr. A. Sangowawa



Mr. K. Selim

### ALTERNATE DIRECTORS:

Miss. ZOULIKHA NASRI (Morocco), Mr. M. LEMINE NATY (Mauritania), Mr. LEON-PAUL N'GOULAKIA (Gabon), Mr. SELEUS NEZERWE (Burundi), Mr. OUSMANE MAMAN (Niger), Mr. RATOMSON MIARINASY (Madagascar), Mr. YOUSIF ALI (Sudan), Mr. MOHAMED KARI (Nigeria), Mr. MOHAMED ELTEIR (Egypt), Mr. FREDERICK MAGEZI (Uganda), Mr. ZERU WOLDEMICHAEL (Eritrea), Mr. ISAAC L. NDOUMBE (A.D.B.)

## COMPOSITION OF AFRICA RE MANAGEMENT



Mr. Bakary Kamara  
Managing Director



Mr. J. Abban  
Deputy Managing Director



## TABLE OF CONTENTS

|   | Page |
|---|------|
| <b>Foreword</b> .....   | 5    |
| <b>Financial Highlights</b> .....   | 6    |
| <b>Trading Environment</b> .....  | 7    |
| <b>Operations</b> .....   | 10   |
| <b>Premium Income</b> .....   | 10   |
| Development of Gross Premium Income .....   | 11   |
| Proportion of Voluntary Cessions by Trading Area .....  | 11   |
| Geographical Distribution .....   | 11   |
| Sectoral Distribution .....   | 12   |
| Other Income .....  | 12   |
| - Long-term Investments .....   | 12   |
| - Income from Short-term Investments and Other Sources .....  | 12   |
| <b>Outgo</b> .....  | 13   |
| - Losses .....  | 13   |
| - Loss Experience by Trading Area .....   | 13   |
| - Commissions and Charges .....   | 13   |
| - Management Expenses .....   | 13   |
| - Other Expenses Not Charged to the Underwriting Revenue Account .....  | 13   |
| Results of the Closed Underwriting Year 1994 .....  | 14   |
| Results of the 1996 Financial Year .....  | 14   |
| Appropriation of Results .....  | 14   |
| <b>Other Activities</b> .....   | 15   |
| - Adhesion .....  | 15   |
| - Opening of the Capital .....  | 15   |
| - Relations with Sister Organisations .....   | 15   |
| - African Reinsurance Forum .....   | 15   |
| - Staff Matters .....   | 15   |
| - Technical Assistance and Training .....   | 15   |
| - General Assembly .....  | 15   |
| - Board of Directors .....  | 16   |
| - Evolution of Premium Income in Original Currencies/US\$ Equivalent .....  | 17   |
| <b>Auditors' Report on the Accounts</b> .....   | 18   |
| <b>Balance Sheet for the Year Ended 31st December, 1996</b> .....   | 20   |
| <b>Profit and Loss Account for the Year Ended 31st December, 1996</b> .....   | 22   |
| <b>Revenue Account for the Year Ended 31st December, 1996</b> .....   | 24   |
| <b>Underwriting Results by Class of Business for the Year Ended 31st December, 1996</b> .....   | 26   |
| <b>Statement of Cash Flows for the Year Ended 31st December, 1996</b> .....   | 27   |
| <b>Notes to the 1996 Financial Statements</b> .....   | 28   |
| <b>Annexes</b>  |      |
| i Statement of Subscriptions to the Capital and Voting Powers as at 31st December, 1996   |      |
| ii Resolutions adopted by the General Assembly at its 18 <sup>th</sup> Annual Ordinary Meeting held in Abuja, Nigeria, on 27 <sup>th</sup> and 28 <sup>th</sup> June, 1996. |      |
| iii Summary of the Administrative Budget for the Year 1997.   |      |



## FOREWORD

The 1996 Annual Report of the Board of Directors reviews the trading environment in which the Corporation operated and analyses the operations for the financial year.

It contains the External Auditors report on the financial statements which are presented as Balance Sheet, Profit and Loss Account, Revenue Account, Statement of Cash Flows and the notes thereon.

Included also are the resolutions adopted by the Eighteenth Annual Ordinary Meeting as well as a Summary of the 1997 approved administrative budget and the implemented budgets for 1995 and 1996.

During the financial year 1996, the Corporation achieved a gross premium income, net of cancellations of US\$61,281,086 compared to US\$53,328,776 in 1995. This represents an increase of 14.91% over the 1995 level. After the deduction of retrocessions and adjustment for movement in premium reserves, the volume of net premium earned amounted to US\$48,227,443.

The losses incurred of US\$23,972,219, commissions of US\$15,989,866, charges of US\$891,728 and management expenses of US\$3,843,554 were deducted from net earned premium to give an underwriting surplus of US\$3,530,076 (1995: US\$3,058,330) which was transferred to the profit and loss account. To this were added income from investment and other sources amounting to US\$2,661,624 (1995: US\$2,218,777), interest on reinsurance deposits of US\$1,022,460 (1995: US\$849,975) and a realised gain on exchange of US\$174,429 (1995: US\$882,569), to arrive at an operating profit of US\$7,388,589 (1995: US\$7,009,651). Other expenses not charged to the revenue account amounting to US\$705,770 (1995: US\$896,979) were then deducted from the operating profit resulting in a net profit for the year of US\$6,682,819 (1995: US\$6,112,672).

In line with the Corporation's standing accounting practice, the excess of Income over Outgo of US\$33,736,422 (1995: US\$27,820,946) for the still open years of 1995 and 1996 were carried forward as reinsurance funds, while the reserve for outstanding losses at the year end was established at US\$18,248,023 (1995: US\$15,351,228).

The cumulative translation adjustment for the year resulted in an unrealised loss of US\$749,325 (1995: US\$1,357,694) which, as in the past, is being treated as a separate component of the shareholders' funds in accordance with the *International Accounting Standard No. 21 (IAS 21)*. A total of US\$1,674,429 was written off the cumulative translation adjustment by way of transfer from the profit and loss account.

As at 31st December, 1996, cumulative translation adjustment therefore amounted to US\$8,400,647 (1995: US\$9,325,751). The Corporation plans to write-off this balance in the short to medium term to further strengthen its financial base.

The shareholders' funds amounted to US\$40,256,400 as at 31st December, 1996, which shows an increase of 20.01% over the 1995 balance of US\$33,543,075.

In 1996 there was a slight slackening in the pace of the world economic growth due to the handicaps of weak growth in Continental Europe, reduced activity in Japan and the competitive currency devaluation adopted by some industrialised countries. All these have resulted in the weakening of the European monetary system.

In Africa, the effects of the devaluation of the CFA Franc and other national currencies have started being felt as it has led to an average of 3% to 5% GDP growth rate in about 10 countries. Despite the decline in the agricultural sector with production falling by 12% when compared to the situation in the 1960's, a loss of 40% due to the precarious situation of roads and means of transport as well as the burden of income duties on these products, the continent generally seems to be engaged on the road to durable economic, social and political progress. The Bretton Woods Institutions which have noticed the trend now seem to be more inclined to accept the rescheduling of multilateral debt. The emergence of South Africa on the continent's political and economic scene has offered the region an added impetus and argumentative points in international negotiations.

In the insurance/reinsurance sector, the constitution of mega groups and the availability of excess capacity to market players have slightly altered the rules of fair competition as the role and place of modest institutions have been reduced more than ever before. The African insurance industry is faced with another danger, that of risk delocalisation, giving up of the gains of several decades of the policies of economic growth and inadequately mastered privatisation. These are, however, new challenges to which professionals should find sufficiently pragmatic responses. Bilateral and multilateral co-operation within the continent is one of the ways of resolutely tackling the issue. In effect, one of the solutions for the survival of continental insurance lies not with self introspection but rather in the controlled opening of the markets and laying prime emphasis on the regionalisation of the economies which insurance constitutes a sector. In that respect, the establishment of CIMA (*Conférence Internationale des Marchés d'Assurances*) points to professionals the steps to take towards African integration, even if the initial aim of the body was to take care of other preoccupations.



## FINANCIAL HIGHLIGHTS

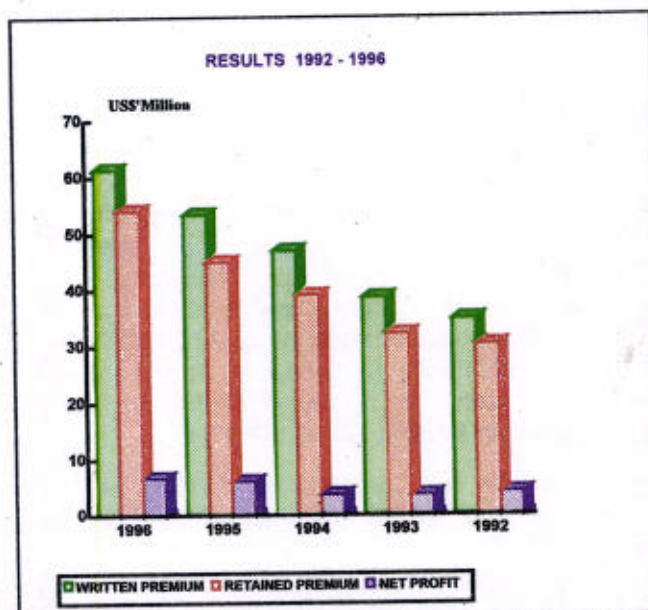
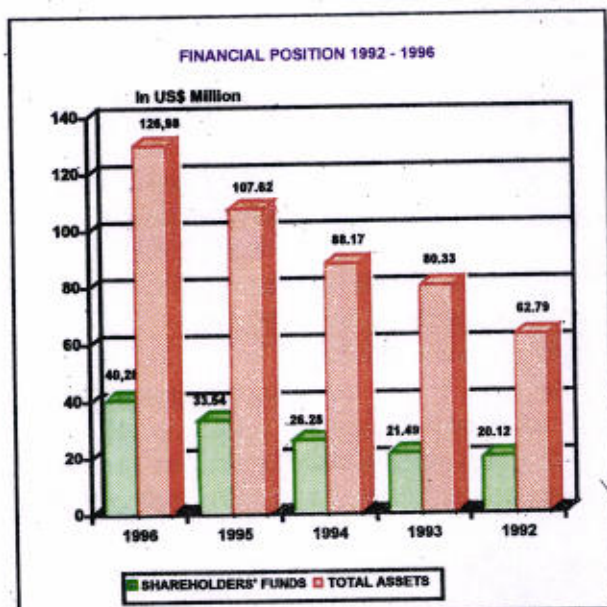
| In US\$ '000 | 1996 | 1995 | 1994 | 1993 | 1992 |
|--------------|------|------|------|------|------|
|--------------|------|------|------|------|------|

### RESULTS

|                      |        |        |        |        |        |
|----------------------|--------|--------|--------|--------|--------|
| WRITTEN PREMIUM      | 61,281 | 53,329 | 46,910 | 38,568 | 34,755 |
| RETAINED PREMIUM     | 54,143 | 45,068 | 39,207 | 32,319 | 30,404 |
| EARNED PREMIUM (NET) | 48,227 | 36,001 | 40,036 | 28,070 | 29,018 |
| NET PROFIT           | 6,683  | 6,113  | 3,633  | 3,624  | 4,121  |

### FINANCIAL POSITION

|                     |         |         |        |        |        |
|---------------------|---------|---------|--------|--------|--------|
| SHAREHOLDERS' FUNDS | 40,256  | 33,543  | 26,285 | 21,489 | 20,122 |
| TOTAL ASSETS        | 126,980 | 107,619 | 88,172 | 80,327 | 62,786 |





The growth recorded in the previous years has been confirmed this year. In effect, with a growth rate of 14.91% and a turnover of US\$ 61,281,086, the Corporation has recorded the highest production since its inception, due to the intensive marketing drive mounted by Management and Staff and the continuous support of African cedants which opted for a stronger co-operation with Africa Re.

Retained premium increased from US\$ 45,067,817 to US\$ 54,142,919, i.e. 88.35% of the gross premium, while earned premium increased from US\$ 36.001 million in 1995 to US\$ 48.227 million. The relative stability of national currencies should be noted except for the South African Rand which depreciated by 20% during the year.

The share of additional cessions (treaty and facultatives) increased by about 4 points from 67.45% to 71.39% of the total portfolio. This demonstrates the increasing importance which the Corporation attaches to forging closer relationships with its clientele. For example, the Corporation's closeness to the clients resulted in a major increase in additional business, especially in North Africa which recorded 51.80% of its production as voluntary cessions (39.07% in 1995) whereas the ratio of that type of cession to the production of this centre stood at 5% in the beginning of the decade.

The relatively positive (gross) loss experience of 42.27% in 1995 was confirmed in 1996 (47.68%) despite the bad quality of non-African business (79.91%). That development led Management to cancel part of the international portfolio thus reducing the income from that class from US\$ 3.02 million in 1995 to US\$ 2.35 million in 1996. The decision was as a result of the strategic choice made by Africa Re to write modest but profitable business instead of pursuing more premium income of questionable quality.

The diverse nature of business written which is a major commercial and technical asset, confirmed by the good performance of the African Surplus Treaty (formerly Autofac) written mainly by African insurers, will be maintained as a major characteristic of the Corporation's portfolio.

This attribute will be further reinforced in such a way that no changes in any particular market, however important it might be, would significantly affect the quality of technical results.

Africa Re's participation in the capital of Afreximbank and some other national companies maintained their initial level. Investment income increased by 19.96% from US\$ 2,218,777 to US\$ 2,661,624 in 1996 due to higher level of liquidity available.

A better management of the operational costs in the Corporation resulted in a slight reduction in the Management expenses ratio (7.10%). The aim of the Corporation is to attain the international norm of 5% in the short-term.

Following the massive adhesion during the previous year, the number of member companies remained unchanged. However, there was an increase in the paid-up capital due to the Board decision to allow shareholders to pay for their shares in 4 instalments.

Africa Re, which as at now, has shareholders' funds of US\$ 40,256,400 is better placed to meet the solvency and capacity criteria and fulfil both its statutory and business obligations.

## TRADING ENVIRONMENT

### GENERAL OVERVIEW OF THE WORLD ECONOMIC SITUATION

If economic analysts, including the International Monetary Fund (IMF), predicted that 1997 will be a year of growth in three quarters of the planet, it was because the previous year had lived up to promises and expectations with an estimated growth rate of 3.8%. However, this average ratio does not reflect the contrasts and gaps existing between the different territories and continents.

In effect, while the emerging nations are still ahead of others (6.3%) despite the slackening of their growth rates due to the fall in exports, some industrialised countries are being inflicted with the handicap of low growth rate (2.3%).

The United States of America recorded a growth rate of 2.1% in its Gross Domestic Product (GDP) thus attesting to the healthy state of that leading economy as a result of job creation, low level of inflation and the competitiveness of its technology. The pace of economic activity in Japan was slower with a growth rate of only 1.5%. On the whole, the economic growth rate in Europe was modest thus slightly distorting the ambitious objectives of this continent's economic and monetary union.

The introduction of modern means of communication as well as technological revolution accelerated the pace of international trade during the year under review. In effect, with the security introduced for payment by credit card on the Internet in 1996, electronic trade took an



immense leap forward, resulting in the creation of a world supermarket on the web. Similarly, the wind of liberalisation in the 1980's improved business financing by reducing the cost of intermediation, facilitating investment and savings as well as offering to the economies that are increasingly opening up the opportunity of attracting mobile capital. It should be stated, for example, that US\$ 1,300 billion is exchanged in the international market every day. Whereas in 1995, transactions on goods and services reached US\$ 6,000 billion, this record was exceeded in 1996, while the volume of services continues to increase and the trade growth rate is higher than that of production.

The traditional distinction between the industrialised countries and the developing world is becoming increasingly blurred, because the emerging countries (Mexico, South Korea) and those in transition (Hungary, Poland and Czech Republic) have, within the past 3 years joined the exclusive club of the Organisation for Economic Co-operation and Development (OECD), thus paving the way for several other countries of Latin America, Asia, Europe and Africa.

#### DEVELOPING COUNTRIES

The curbing of the money crisis in Mexico coupled with the impressive control of price increases in Brazil which has recorded the lowest inflation rate (10%) since 1950 and the exceptional performance of South East Asia, contributed in boosting the economy of the Third World, which no longer constitutes a homogeneous bloc. In effect, although inequality is one of the general concerns of the world economy, the gap between the developing countries, especially the emerging nations and those with stunted growth seems to be increasing from year to year.

In Africa, the positive performance of a number of countries (Benin, Côte d'Ivoire, Egypt, Ghana, Kenya, Malawi, Morocco, Uganda, Togo, Tunisia etc.) is due partly to the devaluation of the CFA Franc and other national currencies. That performance helped in increasing the continent's average growth rate from 3% to 5% between 1995 and 1996. Taking advantage of the economic globalisation, several countries concentrated on some specialised sectors including India which within 10 years ranked second in the production of software.

Similarly, the major donors (IMF & IBRD), in an attempt to adapt to new world realities, are changing their priorities, relaxing their procedures and creating new instruments. Thus, they are envisaging the cancellation of the multilateral debts of some countries - the majority

of which are African - that implement stringent economic, budgetary and monetary policies over a period of at least three years.

#### AFRICAN ECONOMY

Despite the risk of marginalisation as a result of the trend towards globalisation, the continent, once again, recorded remarkable progress thus giving cause for optimism as it approaches the 21st century.

Although the improvements recorded by some African countries can be attributed essentially to the normally fragile and temporary rise in the world price of agricultural products (coffee, cocoa, cotton), the steady implementation of consistent economic policies also accounts for these results. Whereas Africa hardly generates more than 1% of the world's wealth, it represents 10% of the population and is the only continent whose internal trade ratio has fallen below that of the 1950's.

However, as can be testified to by the success story of some countries, the democratic changes and good governance that are being introduced all over Africa are capable of helping the continent's economic growth.

For example, the economic and financial situation of Algeria improved in 1996 with a growth of 4% due to the slight budget surplus, a doubling of the exchange reserve within one year and the reduction of inflation. The excellent harvest resulting from abundant rainfall increased the cereal production in Morocco for the first time, to more than 100 million quintals. This performance had a ripple effect on the entire economy. Tourism also grew by 10%, inflation remained moderate (5%) while the budget deficit was relatively low (3%).

The Structural Adjustment Programme, implemented for a decade by Tunisia, has started bearing fruits with a G.D.P. growth rate of 7.5% - due also to the growth in agricultural revenue which is itself the outcome of the exceptional rainfall in the entire Maghreb region.

Although still under some sanctions, the Libya economy is dependent on crude oil which has recorded an increase in price. The growth in Egypt (4.2%) is due to the boost in tourism, the high reduction in public deficit (1.3% of the G.D.P.) and a fall in interest rates.

In West Africa, Côte d'Ivoire and Nigeria recorded remarkable success while the strength of the economies of Senegal and Ghana was confirmed. For the second consecutive year, Côte d'Ivoire recorded a G.D.P. growth rate of 7% which was higher than the population growth rate. This was due to the increase in industrial activity (17% during the 1996 first half-year) and



sustained export of raw materials (cocoa, coffee, hevea, cotton etc.).

In Nigeria, some growth was recorded in the industrial sector following the devaluation of the Naira in 1995, which has, since then, stabilised. The increase in the price of crude oil, the efforts of the State at sanitizing the financial sector and the diversification of national production facilitated the attainment of the growth target of 5%.

Central African countries experienced divergent fortunes while their neighbours to the South, under the umbrella of the Southern African Development Community, are still working for a sub-regional integration where the new South Africa will play a central role. In fact, the impact of the economy of South Africa is being felt in the entire continent. For example, this country participates in the gold mines of West African countries (Ghana, Mali, Senegal, Burkina Faso and Côte d'Ivoire). The economic programme implemented by the Government is that of strict respect for balance which seeks notably to reduce budget deficit (5.1% in 1996 as against 5.5% in 1995) to 3% in the year 2000. However, the stabilisation of the growth rate at 3% in 1996 (3.5% in 1995) suggests an overheating of the economy while exports are stimulated by the drastic depreciation of the Rand (20%) against the Dollar.

The resuscitation of East African co-operation (Kenya, Uganda and Tanzania) is too recent to have significant results, but there is cause to believe that the sustenance of the 5% growth rate and the fall in inflation (10%) in Kenya, the curbing of inflation in Tanzania and the favourable economic indicators witnessed in Uganda for the past few years, hold a lot of promise for this sub-regional initiative.

The good performance of the Ethiopian economy in the past 4 years was reinforced by the growth rate of 7.7% recorded in the 1995 - 96 budget, the low level of inflation and the increase of foreign exchange reserves to the equivalent of 8 months of imports.

Finally, in the Indian Ocean islands, Mauritius, after a stagnation of its GDP growth rate at 5% for three years, recorded a ratio of 5.8% in 1996 due to the higher production of sugar and the good results of the Free Zone project which generates two-thirds (2/3) of that country's exports.

## **INSURANCE INDUSTRY**

Major changes (mergers, acquisitions) were recorded in the insurance sector of industrialised countries in 1996. In the area of direct insurance, the recent merger of the two largest French companies resulted in the creation of the second biggest insurer in the world.

This operation, which is part of the trend of concentration and restructuring of the profession, came after the merger/acquisition of other major British and German companies. The effect of that move will certainly be felt in the African industry as one of the companies has a strong base in the Francophone West and Central African region.

However, the issue of size was more acute in the reinsurance sub-sector. Some acquisitions had already been made before those of the two giants of the sector. Large brokerage firms were not left out in the process of mergers and consolidations and this will seriously change the international intermediation landscape and practices.

With the emergence of mega-competitors, players of modest or average size should reconsider their strategy. However, a number of professionals are of the opinion that they still have a place to occupy and a role to play particularly in the African continent and similar markets.

The massive inflow of capital observed in the previous year resulted in transforming the new South Africa into the regional centre of reinsurance with the entrance of new players including Africa Re which had, since 1995, opened a liaison office in that territory.

The increase in capacity further led to a considerable softening of reinsurance terms and conditions to the benefit of major African insurance and reinsurance companies. This trend was confirmed during the 1997 renewals. The pace of review of the guiding policies on insurance management by public Authorities increased during the financial year.

In effect, after more than 20 years of privileges, the Kenyan Government has decided to abolish within a period of 5 years the quota-share business enjoyed by Kenya Re leaving the company with only the legal cession on treaty. A number of countries may adopt this policy within a short time. The process of liberalisation/privatisation, started a few years ago, is continuing in almost all African countries, thus gradually reducing the role of the States.

The most significant changes occurred in Senegal where the State divested from the second company where it had shares, Congo where new companies were established (one by petroleum companies) and Tanzania where the parliament passed into law a bill to



discontinue the monopoly of the market by "National Insurance Corporation" while at the same time protecting their most fundamental gains.

The scepticism and fear which greeted the establishment of CIMA seems to be giving way increasingly to greater confidence due to the supervisory independence of the regional Committee with regard to the granting and withdrawal of licences. The expectation in the industry is that the effort of this body will be confirmed by realities.

Given these developments, Africa Re which is currently at a watershed, has started reflecting on the need for change which is indispensable if the Corporation should grow, while maintaining its gains and initial objectives. Therefore, the shareholders (States, the ADB and national companies) should understand, accept and encourage this vital transformation and accompany it with greater support.

## OPERATIONS

As in the past, 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 below:

- Anglophone West Africa (Head Office)
- Francophone West and Central Africa (Abidjan Office)
- North Africa (Casablanca Office)
- East and Southern Africa (Nairobi Office which also supervises the Johannesburg Contact Office)

Business from non-African sources is classified as "inward international" or "worldwide" and can be written by all production centres.

The Corporation's headquarters in Lagos also administers the African Surplus Treaty (formerly Aut Fac), the African Aviation Pool and the African Oil and Energy Insurance Pool.

The statistics on premium income and claims set out below, provide an insight into the performance of the Corporation.

## PREMIUM INCOME:

The Premium income of US\$61.28 million accruing to the Corporation in 1996 was quite high. It exceeded the corresponding figure of US\$53.33 million recorded in 1995 by 14.91%.

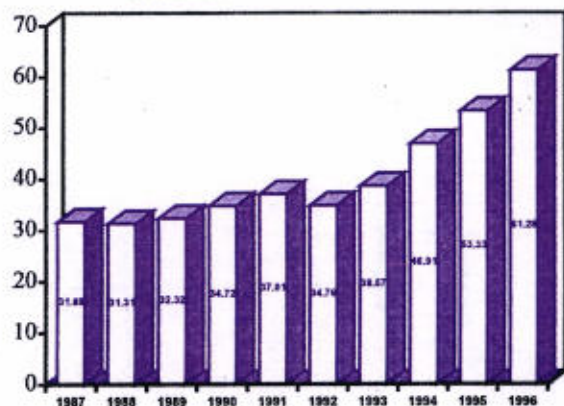
| DESCRIPTION<br>(US \$000)   | 1996    |       |         | 1995     |       |         |
|-----------------------------|---------|-------|---------|----------|-------|---------|
|                             | GROSS   | RETRO | NET     | GROSS    | RETRO | NET     |
| <b>INCOME</b>               |         |       |         |          |       |         |
| PREMIUM(Less Cancellations) | 61,281  | 7,138 | 54,143  | 53,329   | 8,261 | 45,068  |
| MOVEMENT IN PREMIUM RESERVE | (5,864) | 52    | (5,916) | (10,004) | (937) | (9,067) |
| EARNED PREMIUM              | 55,417  | 7,190 | 48,227  | 43,325   | 7,324 | 36,001  |
| <b>OUTGO</b>                |         |       |         |          |       |         |
| LOSSES PAID                 | 22,512  | 1,437 | 21,075  | 18,267   | 1,242 | 17,025  |
| MOVEMENT IN LOSS RESERVE    | 3,909   | 1,012 | 2,897   | 43       | 1,423 | (1,380) |
| INCURRED LOSSES             | 26,421  | 2,449 | 23,972  | 18,310   | 2,665 | 15,645  |



## DEVELOPMENT OF GROSS PREMIUM:

As would be observed from the graph below, the premium income recorded in 1996 represents the highest level of achievement since 1987. Infact, the 1996 performance stands as the best since the inception of the Corporation in 1978.

DEVELOPMENT OF GROSS PREMIUM INCOME  
US\$ Million



The evolution of Premium Income in original currencies as indicated in the annex, shows even more impressive growth rates.

The performance may be attributed to the following factors:

- The purposeful and sustained marketing efforts through which the Corporation has been able to render technical assistance to Cedants.
- The cumulative effects of the increase in capacity which has made it possible to generate additional premiums in the trading areas which are characterised by peak risks.

Indeed, the prospects for further growth look rather encouraging, given that the African economy which has shown signs of recovery, may improve in the years ahead. Also, the possible liberalization of the industry may serve as an impetus for the development of the sector.

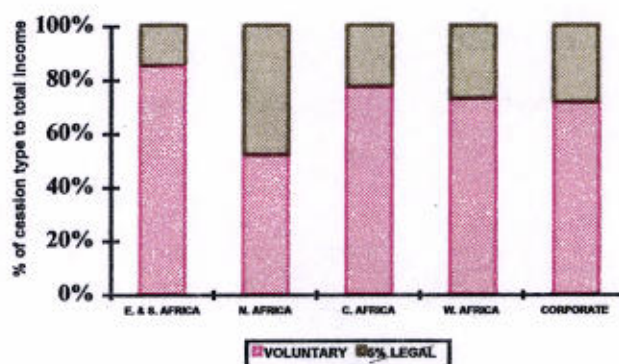
## PROPORTION OF VOLUNTARY CESSIONS BY TRADING AREA

The Corporation has achieved a large measure of success as regards its objective to increase the volume of premiums accruing to it from voluntary cessions. In 1996 income from this source accounted for 71.39% of the total premium recorded by the Corporation. This achievement is quite impressive when compared with the corresponding

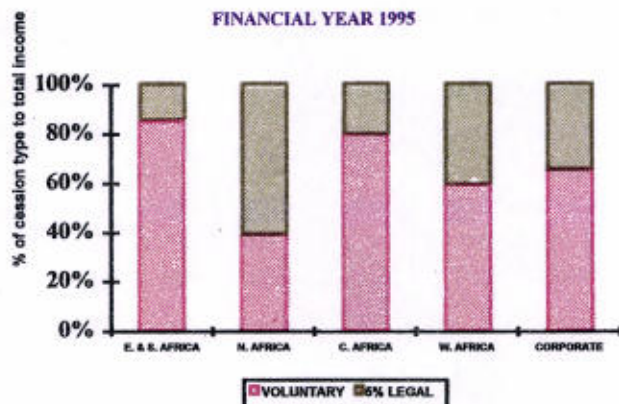
proportion of 67.45% in 1995 (47.56% in 1994 and 41.16% in 1993).

As would be observed from the graphs below, East Africa recorded the highest level of voluntary cessions in 1996. Although, at 85.07%, the figure was less than the corresponding level of 85.34% achieved in 1995. Central Africa followed with 77.19%, against 79.69% in 1995. Then came West Africa with 72.81%, compared with 59.36% in 1995. A proportion of 51.80% was recorded by North Africa which is significantly higher than the figure of 39.07% in 1995.

FINANCIAL YEAR 1996



FINANCIAL YEAR 1995



## GEOGRAPHICAL DISTRIBUTION

The distribution of premium by production centre follows the same pattern as in the previous year with East Africa achieving the highest income of US\$23.18 million. This figure represents 37.83% of the Corporation's total premium income and exceeds the previous year's production of US\$18.67 million by 24.16%.



North Africa followed with US\$19.05 million, representing 31.09% of the corporate production and 11.21% in excess of the income of US\$17.13 million recorded in 1995.

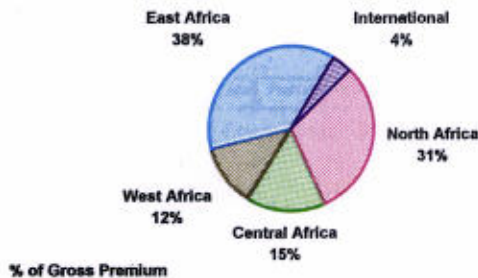
A total premium income of US\$9.13 million was written by Francophone Africa which works out to 14.89% of the corporate figure. This represents an increase of 12.16% over the figure of US\$8.14 million credited to the region in 1995.

Anglophone West Africa recorded US\$7.57 million, which is 12.35% of the corporate figure. This stands at 19.21% above the amount of US\$6.35 million achieved in 1995.

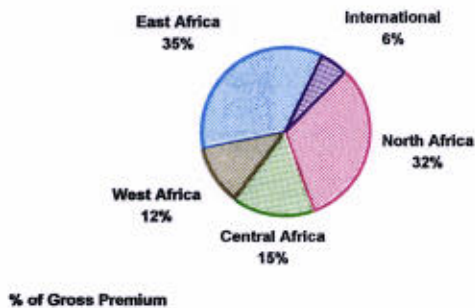
The balance of US\$2.35 million or 3.84% of the premium income for the year under review came from the international market, as against US\$3.02 million in 1995.

The graphs below provide further indications:

FINANCIAL YEAR 1996



FINANCIAL YEAR 1995



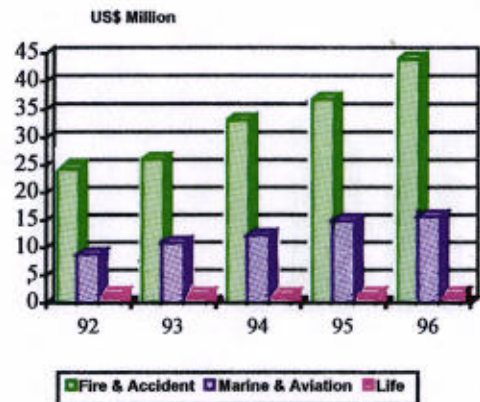
## SECTORAL DISTRIBUTION

As expected, a substantial volume of income emanated from the Fire and Accident classes. With a premium of US\$44.02 million, these branches produced 71.83% of the corporate income, as against 62.91% in 1995. The 1996 production represents an increase of 19.26% over the 1995 premium of US\$36.91 million.

A total income of US\$15.62 million accrued to the Marine and Aviation classes, which is 5.26% above the level of US\$14.84 million generated by the sector in 1995. However, its share of the total portfolio fell from 27.82% in 1995 to 25.49% in 1996.

Life business accounted for the balance of US\$1.64 million. This represents an increase of 3.14% above the premium of US\$1.59 million recorded in 1995.

Details of the foregoing are provided below:



## OTHER INCOME

### LONG-TERM INVESTMENTS

As in the previous years, there was no dividend declared by Shelter-Afrique, a company in which the Corporation holds shares of US\$1.2m. Other long-term investments include The African Export-Import Bank (Afreximbank) - US\$400,000, La Nationale d'Assurance, Cote d'Ivoire - US\$188,026, CNA Cameroun - US\$143,607 and SONA-VIE Mali - US\$52,620. La Nationale, Cote d'Ivoire declared a dividend of 9% on 1995 results, while the other companies did not declare dividends. It should be noted however that the objectives of the investments in the first place go beyond financial dividends.

### INCOME FROM SHORT-TERM INVESTMENTS AND OTHER SOURCES

Income from short-term investments and other sources increased by 19.96% from US\$2,218,777 in 1995 to US\$2,661,624 in 1996. This improvement is attributable to the increase in the level of liquidity and hence investible funds. Interest income would have been higher but for the fact that interest on French Franc deposits were very low for most part of the year. In addition, the Corporation's investment strategy continues to lean heavily on low-risk instruments, which of necessity attract low returns.



While income from bonds stabilized at US\$465,390 (1995 - US\$462,996), because they are fixed coupon obligations and no new bonds were purchased during the year, interest on deposits and current accounts increased by 34.70% from US\$1,562,208 in 1995 to US\$2,104,329.

The fee from the management of the African Aviation Pool and the African Oil and Energy Insurance Pool amounted to US\$69,158 (1995 - US\$87,833). The decrease is due to the decline in the income of the Oil & Energy Pool, resulting from the restructuring of the reinsurance programme of a major account of that Pool.

## OUTGO

### LOSSES

The gross loss ratio recorded was 47.68% which exceeded the figure of 42.27% in 1995. In absolute terms, the total losses paid for the year amounted to US\$22.51 million, compared with US\$18.27 million in 1995.

The losses incurred in 1996 totalled US\$26.42 million, made up of paid losses of US\$22.51m and movement in reserve of US\$3.91m. The corresponding figure for 1995 was US\$18.31 million (paid losses, US\$18.27 million, movement in loss reserves, US\$0.04 million).

### GROSS LOSS RATIO BY CLASS - FINANCIAL YEAR 1996 CURRENCY: US\$M

| CLASS OF BUSINESS                | REGIONAL BUSINESS |                |              | INTERNATIONAL INWARD |                |              | TOTAL CORPORATE |                |             | 1995         |
|----------------------------------|-------------------|----------------|--------------|----------------------|----------------|--------------|-----------------|----------------|-------------|--------------|
|                                  | Loss Incurred     | Earned Premium | LOSS RATIO % | Loss Incurred        | Earned Premium | LOSS RATIO % | Loss Incurred   | Earned premium | LOSS RATIO% | LOSS RATIO % |
| FIRE & ACCIDENT (Including Eng.) | 16.49             | 36.32          | 45.40        | 0.87                 | 1.46           | 59.59        | 17.36           | 37.78          | 45.95       | 39.86        |
| MARINE & AVIATION                | 7.27              | 15.37          | 47.30        | 0.83                 | 0.66           | 125.76       | 8.10            | 16.03          | 50.53       | 44.98        |
| LIFE                             | 0.96              | 1.61           | 59.63        | -                    | -              | -            | 0.96            | 1.61           | 59.63       | 64.46        |
| TOTAL                            | 24.72             | 53.30          | 46.38        | 1.70                 | 2.12           | 80.19        | 26.42           | 55.42          | 47.68       | 42.27        |

### LOSS EXPERIENCE BY TRADING AREA:

- Anglophone West Africa Division recorded a loss ratio of 25.76%, compared with 24.42% in 1995.
- The ratio attributed to Francophone Africa was 41.73% as against 26.89% in 1995.
- A slight improvement was also achieved in North Africa where the figure dropped from 33.83% in 1995 to 32.41% in 1996.
- East Africa recorded a marginal improvement, from 39.95% in 1995 to 39.39% in 1996.

### COMMISSION AND CHARGES:

A total amount of US\$16,881,594 was recorded in respect of commission and charges, compared with US\$14,028,518 in 1995. The 1996 figure represents 31.18% of the net premium for the year, as against a corresponding ratio of 31.13% for 1995. As in the previous year, the North Africa region recorded the highest ratio.

### MANAGEMENT EXPENSES

The management expenses to retained premium ratio amounted to 7.10% (7.25% in 1995), although management expenses in absolute terms increased by 17.57% compared to the previous year. The rise

is mainly due to the revision in staff remuneration. In addition, sharp increases were recorded in the cost of utilities and services in a number of the office locations while the respective currencies remained relatively stable vis-à-vis the United States Dollar. The impact was however cushioned by the increase in the written and retained premium, to produce a slightly improved management expenses ratio. Management is intensifying its efforts at bringing down the expense ratio to the international norm before the turn of the century, as stated in the strategic plan as well as the Five-Year Plan of Action (1994-1998).

### OTHER EXPENSES NOT CHARGED TO THE UNDERWRITING REVENUE ACCOUNT

The expenses of the Annual General Assembly and Board of Directors increased by 2.8% principally because of the change in the venue of the June 1996 meetings from Conakry, Guinea to Abuja, Nigeria. This resulted in the duplication of certain elements of the preparatory costs. The full impact of the expansion of the Board of Directors was also felt on the travel costs, attendance fees and subsistence allowances.



Depreciation and amortization costs increased from US\$187,127 in 1995 to US\$198,987 due to acquisition of additional depreciable assets during the year. Audit fees also increased by 4.11% from US\$36,500 in 1995 to US\$38,000.

### RESULT OF THE CLOSED UNDERWRITING YEAR -1994

In line with the Corporation's practice, the 1994 underwriting year which had been kept open for three consecutive financial years was closed for the first time on 31st December, 1996.

The underwriting year produced a total gross premium of US\$49,827,398 (1993 U/Y: US\$40,692,619), out of which US\$6,271,912 (1993 U/Y: US\$6,149,363) was retroceded. Net claims for the 1994 underwriting year amounted to US\$15,884,970 corresponding to a claims ratio of 36.47% compared to a ratio of 39.49% for the 1993 underwriting year. Net commissions stood at US\$12,418,619 while charges amounted to US\$771,953.

Management expenses of US\$3,459,481 was charged to the underwriting year, resulting in a technical surplus of US\$10,404,861. A reserve of US\$6,890,453 was created for outstanding losses and IBNR in accordance with existing basis for reserve computation. The balance of US\$3,476,699 which represents the underwriting surplus for the underwriting year 1994 was transferred to the profit and loss account.

### RESULTS OF THE 1996 FINANCIAL YEAR

Gross premium income increased by 14.91% while retrocessions reduced by 13.59%, resulting in an improvement in retained premium by 20.14%. The ratios of net claims, commissions and charges to net premiums stood at 38.93%, 29.53% and 1.65% compared to 37.78%, 29.55% and 1.57% for 1995 respectively.

With a retained premium of US\$54,142,919, total underwriting outgo of US\$37,957,018 and management expenses of US\$3,843,554 charged to the underwriting revenue account, an excess of income over outgo of US\$12,342,347 (1995: US\$10,745,074) was recorded.

Out of this surplus, US\$5,915,476 was credited to the Reinsurance Fund while US\$2,896,795 was transferred to the Reserve Fund and the balance of US\$3,530,076 represents the underwriting surplus taken to the profit and loss account for the year.

Income from investment and other sources increased by 19.96% while interest on reinsurance deposits also rose by 20.29%. The increase in interest on reinsurance deposits is due to the higher level of deposits retained by ceding companies. Realised gain on exchange amounted to US\$174,429 (1995: US\$882,569).

The overall profit for the year amounted to US\$6,682,819 compared to US\$6,112,672 for 1995.

### APPROPRIATION OF RESULTS

When the initial shareholders took the decision to open up the Corporation's capital, their intention was to do so without jeopardising the harmony and consensus which prevailed on the destiny of this regional institution throughout its existence. Therefore the position of principle taken on the appropriation of results was based on the need to ensure that shareholders who subscribed and paid for the capital are adequately remunerated (cash dividends and appreciation of share value) but also to consolidate the financial strength of the Corporation. It is this approach that has enabled AFRICA RE to strengthen its financial base over the years and attain its current capitalization level.

Therefore, the Board recommends the appropriation of the net results as follows:

- US\$3,341,409 to the General Reserve, in accordance with Resolution N° 4.1992 which stipulates that half of the annual profit should be appropriated to this reserve, "until the cumulative amounts reach at least the level of the paid-up capital";
- US\$2,874,429 to the Other Reserves which mainly includes the Reserve for Exchange Fluctuations; and



- US\$552,875 as dividends to be paid to shareholders at a rate of US\$250 per subscribed and paid-up share, and
- the net balance, i.e. US\$493,124 to be carried forward.

## OTHER ACTIVITIES

### ADHESION

Even though no new State joined the Corporation during the year under review, it should be recalled that AFRICA RE maintains business relations with all the countries in the continent and that adhesion for a number of countries entails long administrative procedures. Therefore, the Board and Management have continued to keep contact with non-Member countries with a view to providing them with the required information to facilitate their adhesion.

### OPENING OF THE CAPITAL

As at 31<sup>st</sup> December, 1996, 668 out of the 826 shares allocated to national companies had been subscribed and paid for either fully or partially. Thus, 79% of the total shares offered to national institutions for subscription was paid for by these members. This is an eloquent testimony of the success of the opening up of the Corporation's capital.

### RELATIONS WITH SISTER ORGANISATIONS

AFRICA RE participated in meetings organised by sister organisations such as the African Insurance Organisation (AIO), Fédération des Sociétés de Droit National Africaines (FANAF), General Arab Insurance Federation (GAIF), Organisation of East and Southern African Insurers (OESAI) and West African Insurance Companies Association (WAICA).

### AFRICAN REINSURANCE FORUM

In its capacity as convener, the African Reinsurance Corporation, in conjunction with the AIO Secretariat, the Egyptian Reinsurance Corporation and the Egyptian Federation of Insurance Companies, organised the 2nd African Reinsurance Forum in Cairo on 7th and 8th October, 1996. Judging from the attendance which was made up of more than fifty companies from 21 countries, it was evident that the interest shown during the first forum was maintained this year. Fruitful contacts were initiated during the

forum, and it is hoped that as it becomes more professional, it will soon be one of the events to be reckoned with in the schedules of African Insurers.

### STAFF MATTERS

As at 31st December, 1996, AFRICA RE had a staff strength of 119 from 18 countries, comprising:

- 33 Senior Staff (7 Directors and 26 Professional Staff);
- 70 General Services Staff; and
- 16 Manual Staff.

### TECHNICAL ASSISTANCE AND TRAINING

From 15th to 20th September, 1996, the Corporation held its international reinsurance seminar at Ogere, Nigeria. This annual event, held in the host countries of its production centres, was attended by some fifty participants from 9 countries of the English speaking West and East African regions. Papers on general, technical and financial themes, as well as on specific issues such as risk management and the assessment of industrial risks, were presented mainly by AFRICA RE staff. During the period under review, the Corporation continued to provide its cedants with the technical assistance expected from it.

### GENERAL ASSEMBLY

The 20th anniversary of the Corporation was celebrated during the 18th Annual Ordinary Meeting of the General Assembly. Both events were held from 26th to 28th June, 1996, in Abuja, the Federal Republic of Nigeria.

In all, 51 shareholders, comprising 28 member-States, 22 companies and the ADB, representing 85.50% of the General Assembly's voting power, participated in this forum. The official opening ceremony was presided over by His Excellency, the Head of State of the Federal Republic of Nigeria, represented by General Oladipo Diya, Vice-Chairman of the Provisional Ruling Council, with several dignitaries of the Federal Government of Nigeria and members of the Diplomatic Corps in attendance.

On behalf of the host country, Mr. Mohamed KARI, Managing Director of the National Insurance Corporation of Nigeria (NICON) and Director of



AFRICA RE, welcomed all the delegates to Abuja. In his address, the Chairman of the Board of Directors and the General Assembly paid tribute to the founding fathers of the Corporation and underscored some of the achievements recorded since its inception, especially the cumulative premium income of US\$645 million, out of which US\$545 million was retained, while the technical profit and net profit amounted to US\$41 million and US\$35.83 million respectively. This performance resulted in an increase of the Corporation's shareholders' funds from US\$4.6 million in 1976 to US\$33.5 million in 1996, despite the successive devaluation of most of the trading currencies in relation to the Corporation's unit of account, which eventually led to substantial exchange loss.

The Minister of State for Finance, Alhaji A. Gidado, recalled the reforms introduced by the Federal Government of Nigeria with a view to sanitising the financial sector, including the insurance industry. He congratulated AFRICA RE for its achievements. The Guest of Honour thanked the successive Boards of Directors, Management teams and staff of the Corporation for having made this institution a source of pride to Africa. In conclusion, he enjoined African Governments to take concerted economic measures aimed at strengthening regional institutions of co-operation, and to draw up a common programme of action as well as initiate internal reforms which take into account the peculiarities of each country.

The activities commemorating the 20th Anniversary of the Corporation were marked by a symposium on the theme : "The African Reinsurance Industry : Current Realities and Future Prospects".

The General Assembly examined the accounts of the 1995 financial year during which the Corporation recorded a 13.68% increase of its premium income (US\$53,328,776), a greater share of additional business (67.45%), better control of the management and administrative expenses ratio (7.25%) and a net profit of US\$6,112,672. The General Assembly also approved the Board's proposal on the appropriation of the profit and resolved to pay US\$1,083,500 as dividends at the rate of US\$500 per paid-up share. Furthermore, shareholders discussed the proposal for the amendment of the Agreement submitted by the Board and agreed as a preliminary step to revise Article 54 so as to ensure that the contents of the text fits the realities of the management of profit-making institutions such as AFRICA RE. Finally, the General Assembly renewed the term of office of the Corporation's External Auditors -Deloitte & Touche,

Abidjan- and agreed to hold its 19th Annual Ordinary Meeting in Conakry, Guinea, on 26th and 27th June, 1997.

## **BOARD OF DIRECTORS**

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

- 68th Meeting in Abidjan on 15th and 16th April, 1996;
- 69th Meeting in Abuja on 24th June, 1996;
- 70th Meeting in Lagos on 11th and 12th November, 1996.



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

CURRENCY: IN MILLION

| NO. | CURRENCY                     | 1991     | 1992     | 1993     | 1994     | 1995       | 1996     |
|-----|------------------------------|----------|----------|----------|----------|------------|----------|
| 1.  | Algeria Dinar                | 12,77    | 32,51    | 58,93    | 76,40    | 147,73     | 182,42   |
|     | US\$                         | 0,6033   | 1,4711   | 2,4694   | 1,7747   | 2,8314     | 3,2130   |
| 2.  | Angola Kwanza                | 33,70    | 262,20   | 516,66   | 47,71    | (0,08)     | (0,01)   |
|     | US\$                         | 0,3815   | 0,4585   | 0,07815  | 0,000094 | (0,000014) | 0,00     |
| 3.  | Botswana Pula                | 1,75     | 1,80     | 1,28     | 0,56     | 0,71       | 0,60     |
|     | US\$                         | 0,8392   | 0,7938   | 0,4952   | 0,2040   | 0,2530     | 0,1659   |
| 4.  | Burundi Franc                | 49,51    | 68,31    | 108,47   | 103,09   | 120,8      | 149,84   |
|     | US\$                         | 0,2624   | 0,2869   | 0,4078   | 0,4157   | 0,4747     | 0,6608   |
| 5.  | Djibouti Franc               | -        | 16,02    | 2,45     | 4,59     | -          | -        |
|     | US\$                         | -        | 0,0891   | 0,0138   | 0,0259   | -          | -        |
| 6.  | Egypt Pound                  | 5,31     | 5,11     | 5,00     | 5,58     | 6,89       | 7,20     |
|     | US\$                         | 1,6285   | 1,5979   | 1,4853   | 1,6526   | 2,0252     | 2,1184   |
| 7.  | Eritrea Birr                 | -        | -        | -        | 1,07     | 2,13       | 3,61     |
|     | US\$                         | -        | -        | -        | 0,1971   | 0,3666     | 0,5799   |
| 8.  | Ethiopia Birr                | 2,19     | 2,55     | 4,85     | 4,54     | 6,16       | 10,64    |
|     | US\$                         | 1,0635   | 0,5152   | 0,9849   | 0,8373   | 1,0626     | 1,7098   |
| 9.  | Gambia Dalasi                | 0,43     | 0,60     | 0,55     | 0,52     | 0,70       | 1,13     |
|     | US\$                         | 0,0467   | 0,0684   | 0,0655   | 0,0536   | 0,0710     | 0,1139   |
| 10. | Ghana Cedi                   | 88,69    | 132,99   | 170,39   | 190,46   | 313,60     | 891,95   |
|     | US\$                         | 0,2267   | 0,2557   | 0,2174   | 0,1838   | 0,2181     | 0,5156   |
| 11. | Guinea Bissau Peso           | 0,47     | -        | 1,21     | 0,74     | 3,15       | 11,61    |
|     | US\$                         | 0,00009  | -        | 0,000243 | 0,000054 | 0,0002     | 0,0005   |
| 12. | Guinea Republic Franc        | 84,95    | 58,99    | 182,63   | 143,68   | 194,57     | 305,18   |
|     | US\$                         | 0,1042   | 0,0726   | 0,2252   | 0,1435   | 0,1952     | 0,3052   |
| 13. | Kenya Shilling               | 156,30   | 150,63   | 234,81   | 304,64   | 378,60     | 458,16   |
|     | US\$                         | 5,5668   | 4,0203   | 3,4482   | 6,7930   | 6,7666     | 8,3727   |
| 14. | Lesotho Maloti               | 0,31     | 0,26     | 0,34     | 1,14     | 1,58       | 1,88     |
|     | US\$                         | 0,1139   | 0,0856   | 0,0992   | 0,3208   | 0,4338     | 0,3992   |
| 15. | Liberia Dollar               | -        | -        | -        | 0,10     | (0,02)     | 0,04     |
|     | US\$                         | -        | -        | -        | 0,10     | (0,0192)   | 0,04     |
| 16. | Libya Dinar                  | 0,63     | 0,71     | 1,05     | 1,07     | 1,42       | 1,92     |
|     | US\$                         | 2,1804   | 2,4691   | 3,4428   | 2,9879   | 3,9858     | 5,3825   |
| 17. | Madagascar Franc             | 665,71   | 956,13   | 950,21   | 587,13   | 2 414,06   | 1 858,86 |
|     | US\$                         | 0,4324   | 0,5118   | 0,5145   | 0,1614   | 0,5895     | 0,4647   |
| 18. | Malawi Kwacha                | 0,28     | 0,41     | 1,17     | 0,51     | 2,58       | 3,08     |
|     | US\$                         | 0,1084   | 0,0957   | 0,2612   | 0,0332   | 0,1652     | 0,2011   |
| 19. | Mauritania Ouguiya           | 10,85    | 7,58     | 8,82     | 15,81    | 17,58      | 15,17    |
|     | US\$                         | 0,1297   | 0,0714   | 0,0718   | 0,1296   | 0,1304     | 0,11     |
| 20. | Mauritius Rupee              | 21,21    | 27,26    | 48,79    | 57,03    | 69,12      | 80,94    |
|     | US\$                         | 1,4508   | 1,6324   | 2,6388   | 3,1589   | 3,7966     | 4,0943   |
| 21. | Morocco Dirham               | 26,44    | 29,96    | 33,00    | 41,88    | 38,11      | 36,11    |
|     | US\$                         | 3,2871   | 3,5851   | 3,4928   | 4,6999   | 4,5005     | 4,0945   |
| 22. | Mozambique Metical           | 54,29    | 101,99   | 333,84   | 576,63   | 678,51     | 911,30   |
|     | US\$                         | 0,0174   | 0,0373   | 0,0632   | 0,0893   | 0,0685     | 0,0819   |
| 23. | Namibia Dollar               | -        | -        | -        | -        | 0,27       | 0,02     |
|     | US\$                         | -        | -        | -        | -        | 0,0742     | 0,0037   |
| 24. | Nigeria Naira                | 43,90    | 59,07    | 82,34    | 114,72   | 186,06     | 262,56   |
|     | US\$                         | 4,4636   | 2,8110   | 2,0612   | 5,2145   | 2,1610     | 3,4707   |
| 25. | Rwanda Franc                 | 15,87    | 22,38    | 28,42    | 6,90     | 11,64      | 33,37    |
|     | US\$                         | 0,1340   | 0,1526   | 0,2000   | 0,0499   | 0,0529     | 0,0991   |
| 26. | Seychelles Rupee             | 0,70     | 0,65     | 0,88     | 1,20     | 1,04       | 2,30     |
|     | US\$                         | 0,1435   | 0,1268   | 0,1649   | 0,2413   | 0,2145     | 0,4584   |
| 27. | Sierra Leone, Leone          | 9,06     | 14,88    | 44,60    | 86,72    | 53,72      | 175,56   |
|     | US\$                         | 0,0221   | 0,0283   | 0,0812   | 0,1458   | 0,0590     | 0,2341   |
| 28. | Somali Shilling              | -        | -        | -        | -        | -          | -        |
|     | US\$                         | -        | -        | -        | -        | -          | -        |
| 29. | South Africa Rand            | -        | -        | -        | 0,98     | 4,42       | 11,12    |
|     | US\$                         | -        | -        | -        | 0,2771   | 1,2135     | 2,3647   |
| 30. | Sudanese Dinar               | 11,19    | 26,01    | 58,47    | 13,07    | 23,56      | 4,99     |
|     | US\$                         | 0,7436   | 0,2597   | 0,4505   | 0,4206   | 0,2856     | 0,0341   |
| 31. | Swazi Lilangeni              | 1,24     | 0,78     | 0,45     | 1,36     | 1,25       | 1,35     |
|     | US\$                         | 0,4503   | 0,2604   | 0,1331   | 0,3833   | 0,3419     | 0,2879   |
| 32. | Tanzania Shilling            | 66,91    | 158,43   | 176,98   | 249,80   | 348,96     | 330,47   |
|     | US\$                         | 0,2871   | 0,4728   | 0,3724   | 0,4770   | 0,6345     | 0,5573   |
| 33. | Tunisia Dinar                | 0,93     | 0,86     | 1,03     | 1,71     | 1,72       | 1,33     |
|     | US\$                         | 1,0641   | 0,9161   | 0,9926   | 1,7297   | 1,8126     | 1,33     |
| 34. | Uganda Shilling              | 84,72    | 144,66   | 220,61   | 253,26   | 485,5      | 478,32   |
|     | US\$                         | 0,9190   | 0,1187   | 0,1949   | 0,2761   | 0,4831     | 0,4703   |
| 35. | Zaire Republic Zaire         | 45,59    | -        | -        | 0,24     | 4,46       | -        |
|     | US\$                         | 0,0007   | -        | -        | 0,000075 | 0,00042    | -        |
| 36. | Zambia Kwacha                | 18,00    | 41,08    | 105,87   | 389,49   | 708,75     | 1 011,97 |
|     | US\$                         | 0,2061   | 0,1263   | 0,1622   | 0,5608   | 0,7339     | 0,7863   |
| 37. | Zimbabwe Dollar              | 1,58     | 4,24     | 4,61     | 6,82     | 4,74       | 4,54     |
|     | US\$                         | 0,3128   | 0,7817   | 0,6667   | 0,8153   | 0,5092     | 0,4190   |
| 38. | CFA Franc                    | 2 152,90 | 2 211,68 | 2 424,55 | 2 844,49 | 3 803,25   | 4 575,52 |
|     | US\$                         | 8,2961   | 8,1425   | 8,2126   | 5,33     | 7,7800     | 8,6962   |
| 39. | U.K. Pound Sterling          | 0,24     | 0,10     | 0,23     | 0,19     | 0,22       | 0,24     |
|     | US\$                         | 0,4541   | 0,1594   | 0,3365   | 0,2979   | 0,3368     | 0,4069   |
| 40. | United States Dollar         | 1,56     | 1,47     | 3,67     | 4,84     | 6,60       | 8,24     |
| 41. | Other Non African Currencies | -        | -        | -        | -        | -          | 0,2575   |
|     | US\$                         | -        | -        | -        | -        | -          | -        |



**Deloitte &  
Touche**



Imm. Alpha 2000 14<sup>e</sup> Etage  
Rue Gourgas - Plateau  
01 B.P. 224 ABIDJAN 01

Téléphone (225) 22.29.91 / 22.29.96  
Fax (225) 22.29.79 / 21.84.46  
Télex (983) 23 820 DHANDS CI

## **REPORT OF THE EXTERNAL AUDITORS TO THE SHAREHOLDERS OF AFRICAN REINSURANCE CORPORATION**

We have audited the accompanying financial statements of African Reinsurance Corporation (AFRICARE) as at 31 December 1996. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of African Reinsurance Corporation as of 31 December 1996 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

*Deloitte & Touche*  
Deloitte & Touche  
Abidjan, Côte d'Ivoire  
7 April 1997

**Deloitte Touche  
Tohmatsu  
International**

S. A. au capital de 37.500.000 F CFA  
Compte Contribuable : 9104694 R.C. ABIDJAN 159649



## AFRICAN REINSURANCE BALANCE SHEET AT

| ASSETS  | Note | 1996<br>US\$ | 1995<br>US\$ |
|---|------|--------------|--------------|
| Cash and Short Term Maturities                        | 3    | 7,827,199    | 5,850,897    |
| Investments   | 4    | 44,608,195   | 36,967,807   |
| Amounts due from companies on<br>Reinsurance Accounts |      | 20,562,004   | 16,614,155   |
| Deposits retained by Ceding Companies                 |      | 34,370,135   | 30,536,850   |
| Sundry Debtors, Accrued Interest and<br>Prepayments   |      | 2,011,779    | 3,040,100    |
| <b>FIXED ASSETS</b>                                   | 5    | 4,668,332    | 2,637,880    |
| <br><b>RETROCESSIONAIRES' SHARE IN RESERVE FUNDS</b>  | 10   | 12,932,425   | 11,971,200   |
|   |      | 126,980,069  | 107,618,900  |

**Musa AL NAAS**  
Chairman

The accompanying notes form an integral part of this statement



**CORPORATION**  
**31ST DECEMBER 1996**

| <b>LIABILITIES, CAPITAL AND RESERVES</b>         |             | <b>1996</b>        | <b>1995</b>        |
|--|-------------|--------------------|--------------------|
|  | <b>Note</b> | <b>US\$</b>        | <b>US\$</b>        |
| Other Creditors, Accruals & Provisions           |             | 667,845            | 982,551            |
| Dividend Payable                                 | 6           | 1,362,650          | 1,273,700          |
| Amounts due to Companies on Reinsurance Accounts |             | 16,976,369         | 14,081,118         |
| Deposits due to Retrocessionaires                |             | 2,799,935          | 2,595,084          |
|  |             | <b>21,806,799</b>  | <b>18,932,453</b>  |
| <b>PAID-UP CAPITAL</b>                           | 7           | 22,115,000         | 21,670,000         |
| <b>RESERVES</b>                                  |             |                    |                    |
| Share premium                                    |             | 3,606,510          | 3,297,821          |
| General Reserve                                  |             | 12,178,190         | 8,836,781          |
| Other Reserves                                   | 8           | 3,794,238          | 2,594,238          |
| Retained Earnings                                |             | 6,963,109          | 6,469,986          |
| Cumulative Translation Adjustment                | 9           | (8,400,647)        | (9,325,751)        |
|  |             | 18,141,400         | 11,873,075         |
|  |             | <b>40,256,400</b>  | <b>33,543,075</b>  |
| <b>REINSURANCE AND RESERVE FUNDS</b>             | 10          | <b>64,916,870</b>  | <b>55,143,440</b>  |
|  |             | <b>126,980,069</b> | <b>107,618,968</b> |

**Bakary KAMARA**  
**Managing Director**

The accompanying notes form an integral part of this statement



## AFRICAN REINSURANCE PROFIT & LOSS ACCOUNT FOR THE YEAR

| EXPENDITURE  | Note | 1996<br>US\$      | 1995<br>US\$      |
|--|------|-------------------|-------------------|
| General Assembly and Board<br>of Directors' Meetings |      | 418,999           | 407,596           |
| Audit Fee  |      | 38,000            | 36,500            |
| Depreciation and Amortisation                        | 5    | 198,987           | 187,127           |
| Other Expenses                                       |      | 49,784            | 265,756           |
| Profit for the Year                                  |      | 6,682,819         | 6,112,672         |
|  |      | <u>7,388,589</u>  | <u>7,009,651</u>  |
| <b>APPROPRIATIONS:</b>                               |      |                   |                   |
| Proposed Dividend                                    |      | 552,875           | 1,083,500         |
| Transfer to Cumulative Translation Adjustment        | 9    | 1,674,429         | 490,176           |
| Transfer to Reserves                                 | 11   | 4,541,409         | 4,138,905         |
| Retained Earnings at 31st December                   |      | 6,963,109         | 6,469,986         |
|  |      | <u>13,731,822</u> | <u>12,182,567</u> |

The accompanying notes form an integral part of this statement



**CORPORATION**  
**ENDED 31ST DECEMBER, 1996**

| <b>INCOME</b>                             | <b>1996</b>       | <b>1995</b>       |
|---|-------------------|-------------------|
|   | <b>US\$</b>       | <b>US\$</b>       |
| Underwriting Profit                       | 3,530,076         | 3,058,330         |
| Income from Investments and Other sources | 2,661,624         | 2,218,777         |
| Interest on Reinsurance Deposits          | 1,022,460         | 849,975           |
| Realised gain / (loss) on Exchange        | 174,429           | 882,569           |
|   | <u>7,388,589</u>  | <u>7,009,651</u>  |
| Retained Earnings at 1st January          | 6,469,985         | 6,069,895         |
| Extra-ordinary Gain                       | 12 579,018        | -                 |
| Profit for the Year                       | 6,682,819         | 6,112,672         |
|   | <u>13,731,822</u> | <u>12,182,567</u> |

The accompanying notes form an integral part of this statement



**AFRICAN REINSURANCE  
REVENUE ACCOUNT FOR THE YEAR ENDED**

| <b>OUTGO</b>  | <b>Gross</b>      | <b>Retrocession</b> | <b>NET</b>        | <b>NET</b>        |
|---|-------------------|---------------------|-------------------|-------------------|
|   |                   |                     | 1996              | 1995              |
|   | US\$              | US\$                | US\$              | US\$              |
| <b>LOSSES PAID</b>  | 22,512,008        | 1,436,584           | 21,075,424        | 17,025,160        |
| <b>Add:</b>   |                   |                     |                   |                   |
| Outstanding Loss Reserve at the end of the year                     | 23,899,860        | 5,651,837           | 18,248,023        | 15,351,228        |
| <b>Deduct:</b>  |                   |                     |                   |                   |
| Outstanding Loss Reserve at the beginning of the year               | 19,990,419        | 4,639,191           | 15,351,228        | 16,730,830        |
| <b>LOSSES INCURRED</b>  | 26,421,449        | 2,449,230           | 23,972,219        | 15,645,550        |
| <b>COMMISSIONS</b>  | 18,240,898        | 2,251,032           | 15,989,866        | 13,318,710        |
| <b>CHARGES</b>  | 944,892           | 53,164              | 891,728           | 709,800           |
|   | <u>45,607,239</u> | <u>4,753,426</u>    | 40,853,813        | 29,674,070        |
| <b>MANAGEMENT EXPENSES</b>  |                   |                     | 3,843,554         | 3,269,060         |
| <b>Underwriting Profit transferred to Profit &amp; Loss Account</b> |                   |                     | 3,530,076         | 3,058,330         |
|   |                   |                     | <u>48,227,443</u> | <u>36,001,460</u> |

The accompanying notes form an integral part of this statement



**CORPORATION**  
**31ST DECEMBER 1996**

| <b>INCOME</b>                                 | <b>Gross</b>      | <b>Retrocession</b> | <b>NET</b>        | <b>NET</b>        |
|---|-------------------|---------------------|-------------------|-------------------|
|   |                   |                     | 1996              | 1995              |
|   | US\$              | US\$                | US\$              | US\$              |
| <b>PREMIUM NET OF CANCELLATIONS</b>           | 61,281,086        | 7,138,167           | 54,142,919        | 45,067,817        |
| <b>Add:</b>                                   |                   |                     |                   |                   |
| Reinsurance Fund at the beginning of the year | 35,153,021        | 7,332,075           | 27,820,946        | 18,754,595        |
| <b>Deduct:</b>                                |                   |                     |                   |                   |
| Reinsurance Fund at the end of the year       | 41,017,010        | 7,280,588           | 33,736,422        | 27,820,946        |
| <b>EARNED PREMIUM</b>                         | <u>55,417,097</u> | <u>7,189,654</u>    | 48,227,443        | 36,001,466        |
|   |                   |                     | <u>48,227,443</u> | <u>36,001,466</u> |

The accompanying notes form an integral part of this statement



**AFRICAN REINSURANCE CORPORATION**  
**UNDERWRITING RESULTS BY CLASS OF BUSINESS**  
**FOR THE YEAR ENDED 31ST DECEMBER 1996**

|   | Fire and<br>Accident | Marine and<br>Aviation | Life      | TOTAL<br>1996 | TOTAL<br>1995 |
|---|----------------------|------------------------|-----------|---------------|---------------|
|   | US\$                 | US\$                   | US\$      | US\$          | US\$          |
| <b>Underwriting Income:</b>                                 |                      |                        |           |               |               |
| Gross Premiums  | 44,018,436           | 15,621,525             | 1,641,125 | 61,281,086    | 53,328,770    |
| Less: Retrocession Premiums                                 | 5,882,076            | 1,256,091              |           | 7,138,167     | 8,260,950     |
|   | 38,136,360           | 14,365,434             | 1,641,125 | 54,142,919    | 45,067,817    |
| <b>Underwriting Outgo:</b>                                  |                      |                        |           |               |               |
| Claims  | 14,208,886           | 5,723,923              | 1,142,615 | 21,075,424    | 17,025,160    |
| Commissions   | 10,908,472           | 4,724,436              | 356,958   | 15,989,866    | 13,318,710    |
| Charges   | 604,184              | 285,120                | 2,424     | 891,728       | 709,800       |
| Management expenses   | 2,760,840            | 979,783                | 102,931   | 3,843,554     | 3,269,060     |
|   | 28,482,382           | 11,713,262             | 1,604,928 | 41,800,572    | 34,322,740    |
| Excess of income over outgo                                 | 9,653,978            | 2,652,172              | 36,197    | 12,342,347    | 10,745,077    |
| <b>Reinsurance &amp; Reserve Funds:</b>                     |                      |                        |           |               |               |
| At 1st January  | 26,387,566           | 14,771,757             | 2,012,851 | 43,172,174    | 35,485,430    |
| At 31st December ( Note 10)                                 | 33,503,391           | 16,617,555             | 1,863,499 | 51,984,445    | 43,172,170    |
| Underwriting Profit transferred to<br>Profit & Loss Account | 2,538,153            | 806,374                | 185,549   | 3,530,076     | 3,058,330     |

The accompanying notes form an integral part of this statement



**AFRICAN REINSURANCE CORPORATION**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 1996**

|   | 1996<br>US\$       | 1995<br>US\$        |
|---|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATIONS:</b>  |                    |                     |
| Profit for the Year   | 6,682,819          | 6,112,672           |
| <b>Adjustments to reconcile operating profit to net cash generated from operations:</b> |                    |                     |
| Depreciation and Amortisation   | 198,987            | 187,127             |
| (Profit) / Loss from sale of fixed assets   | (11,954)           | (84,205)            |
| Reinsurance & Reserve Funds   | 8,812,271          | 7,686,745           |
| Amounts due from Companies on Reinsurance Accounts                                      | (3,947,852)        | 123,546             |
| Deposits Retained by Ceding Companies   | (3,833,279)        | (3,637,602)         |
| Sundry Debtors, Accrued Interest & Prepayments  | 1,028,330          | (747,122)           |
| Amounts due to Companies on Reinsurance Accounts  | 2,895,251          | 1,374,105           |
| Deposits due to Retrocessionaires   | 204,851            | 29,388              |
| Other Creditors, Accruals & Provisions  | (314,709)          | (132,041)           |
|   | <u>5,031,896</u>   | <u>4,799,941</u>    |
| <b>Net Cash generated from Operations</b>   | <b>11,714,715</b>  | <b>10,912,613</b>   |
| <b>Adjustments for non-cash items taken to Shareholders Funds:</b>                      |                    |                     |
| Cumulative Translation Adjustment   | (749,325)          | (1,357,694)         |
| Extra-ordinary Gain   | 579,018            |                     |
|   | <u>11,544,408</u>  | <u>9,554,919</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITY:</b>  |                    |                     |
| Proceeds on sale of Shares  | 753,689            | 3,586,862           |
| Dividend Paid   | (463,925)          | (213,000)           |
|   | <u>11,834,172</u>  | <u>12,928,781</u>   |
| <b>CASH FLOWS FROM INVESTMENT ACTIVITY:</b>   |                    |                     |
| Proceeds on sale of Fixed Assets  | 12,765             | 179,017             |
| Purchase of Fixed Assets  | (2,230,247)        | (395,851)           |
| Investments made  | (7,640,388)        | (13,360,961)        |
|   | <u>(9,857,870)</u> | <u>(13,577,795)</u> |
| <b>Net Increase in Bank and Cash Balances</b>   | <b>1,976,302</b>   | <b>(649,014)</b>    |
| <b>BANK AND CASH BALANCES:</b>  |                    |                     |
| At 1st January  | 5,850,897          | 6,499,911           |
| At 31st December  | <u>7,827,199</u>   | <u>5,850,897</u>    |

The accompanying notes form an integral part of this statement



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1996

### 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 in 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 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 at their realisable value. Debts considered irrecoverable are written off into the profit and loss account during the year.

##### (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

#### CASH AND SHORT TERM MATURITIES

The balances include an equivalent of **US\$ 2,417,000** (1995: **US\$ 1,817,000**) representing temporary short term deposits in member States' currencies, of which part awaited approval for conversion to the United States Dollars.

### NOTE 4

#### INVESTMENTS

Investments at cost which include Straight Bonds with a market value of **US\$ 5,947,036** at 31st December, 1996 (1995: **US\$ 5,913,085**) are made up of:

|   | 1996<br>US\$      | 1995<br>US\$      |
|---|-------------------|-------------------|
| • <u>Equity Participation</u>                     |                   |                   |
| Shelter-Afrique                                   | 1,020,000         | 1,020,000         |
| The African Export - Import Bank (see note below) | 400,000           | 400,000           |
| Others (Non-quoted companies)                     | 384,253           | 220,007           |
|   | <u>1,804,253</u>  | <u>1,640,007</u>  |
| • <u>Other Investments</u>                        |                   |                   |
| Straight Bonds                                    | 5,662,427         | 5,674,593         |
| Short-term deposits                               | 37,141,515        | 29,653,207        |
|   | <u>42,803,942</u> | <u>35,327,800</u> |
|   | <u>44,608,195</u> | <u>36,967,807</u> |

In 1993, 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. The instalment for 1994 was paid while that of 1995 and 1996 were not called by the Bank.

### NOTE 5

#### FIXED ASSETS

|                              | Fixed<br>Assets in<br>Progress<br>US\$ | Freehold &<br>Capital<br>Leasehold<br>Property<br>US\$ | Furniture<br>Fittings &<br>Equipment<br>US\$ | Motor<br>Vehicles<br>US\$ | Total<br>1996<br>US\$ | Total<br>1995<br>US\$ |
|------------------------------|--|--|--|---------------------------|-----------------------|-----------------------|
| <b>COST</b>                  |  |  |  |                           |                       |                       |
| At 1st January               | 817,210                                | 1,391,349  | 1,773,538                                    | 356,721                   | 4,338,818             | 4,104,545             |
| Additions during the year    | 1,989,004                              | 7,974  | 128,518                                      | 104,751                   | 2,230,247             | 395,851               |
| Disposals during the year    |  |  | (17,228)                                     | (37,222)                  | (54,450)              | (161,578)             |
| At 31st December             | <u>2,806,214</u>                       | <u>1,399,323</u>                                       | <u>1,884,828</u>                             | <u>424,250</u>            | <u>6,514,615</u>      | <u>4,338,818</u>      |
| <b>DEPRECIATION</b>          |  |  |  |                           |                       |                       |
| At 1st January               |  | 62,727   | 1,364,134                                    | 274,076                   | 1,700,937             | 1,580,576             |
| Charge for the year          |  | 7,548  | 149,096                                      | 42,343                    | 198,987               | 187,127               |
| On disposals during the year |  |  | (16,419)                                     | (37,222)                  | (53,641)              | (66,766)              |
| At 31st December             |  | <u>70,275</u>  | <u>1,496,811</u>                             | <u>279,197</u>            | <u>1,846,283</u>      | <u>1,700,937</u>      |
| <b>NET BOOK VALUE</b>        |  |  |  |                           |                       |                       |
| At 31st December             | <u>2,806,214</u>                       | <u>1,329,048</u>                                       | <u>388,017</u>                               | <u>145,053</u>            | <u>4,668,332</u>      | <u>2,637,881</u>      |



## NOTE 6

### DIVIDEND PAYABLE

|                             | 1996<br>US\$     | 1995<br>US\$     |
|-----------------------------|------------------|------------------|
| Balance at 1st January      | 1,273,700        | 403,200          |
| Proposed Dividend           | 552,875          | 1,083,500        |
|                             | <u>1,826,575</u> | <u>1,486,700</u> |
| Amount paid during the year | (463,925)        | (213,000)        |
| Balance at 31st December    | <u>1,362,650</u> | <u>1,273,700</u> |

## NOTE 7

### 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.

At 31 December, 1996, 668 shares amounting to a nominal value of US\$ 6,680,000 had been subscribed by these institutions, out of which US\$ 5,265,000 was actually paid.

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

|   | 1996<br>US\$       | 1995<br>US\$      |
|---|--------------------|-------------------|
| Capital Allotted and Subscribed               | 23,530,000         | 22,560,000        |
| Called up and Unpaid                          | <u>(1,415,000)</u> | <u>(890,000)</u>  |
| Subscribed and Paid-up Capital (See Annex 1 ) | <u>22,115,000</u>  | <u>21,670,000</u> |

## NOTE 8

### OTHER RESERVES

|   | Reserve for<br>Exchange<br>Fluctuation | Reserve for<br>Loss<br>Fluctuation | Total            | Total            |
|---|--|------------------------------------|------------------|------------------|
|   | US\$                                   | US\$                               | US\$             | US\$             |
| Balance at 1st January                        | 1,794,238                              | 800,000                            | 2,594,238        | 1,511,600        |
| Transfer from Profit & Loss Account (Note 11) | 1,000,000                              | 200,000                            | 1,200,000        | 1,082,500        |
| Balance at 31st December                      | <u>2,794,238</u>                       | <u>1,000,000</u>                   | <u>3,794,238</u> | <u>2,594,238</u> |



## NOTE 9

### CUMULATIVE TRANSLATION ADJUSTMENT

|                                     | 1996<br>US\$     | 1995<br>US\$     |
|-------------------------------------|------------------|------------------|
| Balance at 1st January              | 9,325,751        | 8,458,233        |
| Translation Adjustment for the year | 749,325          | 1,357,694        |
| Transfer from Profit & Loss Account | (1,674,429)      | (490,176)        |
| Balance at 31st December            | <u>8,400,647</u> | <u>9,325,751</u> |

## NOTE 10

### 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 &<br>Accident<br>US\$ | Marine &<br>Aviation<br>US\$ | Life<br>US\$     | Total<br>1996<br>US\$ | Total<br>1995<br>US\$ |
|--|----------------------------|------------------------------|------------------|-----------------------|-----------------------|
| <b>GROSS</b>                             |                            |                              |                  |                       |                       |
| Reinsurance Fund                         | 30,408,165                 | 10,233,023                   | 375,822          | 41,017,010            | 35,153,021            |
| Reserve for outstanding claims           | 10,895,667                 | 11,516,516                   | 1,487,677        | 23,899,860            | 19,990,419            |
|  | <u>41,303,832</u>          | <u>21,749,539</u>            | <u>1,863,499</u> | <u>64,916,870</u>     | <u>55,143,440</u>     |
| <b>LESS: Retrocessionaires' share in</b> |                            |                              |                  |                       |                       |
| Reinsurance Fund                         | 5,655,330                  | 1,625,258                    |                  | 7,280,588             | 7,332,075             |
| Reserve for outstanding claims           | 2,145,111                  | 3,506,726                    |                  | 5,651,837             | 4,639,191             |
|  | <u>7,800,441</u>           | <u>5,131,984</u>             |                  | <u>12,932,425</u>     | <u>11,971,266</u>     |
| Net Reinsurance and Reserve Fund         | <u>33,503,391</u>          | <u>16,617,555</u>            | <u>1,863,499</u> | <u>51,984,445</u>     | <u>43,172,174</u>     |

## NOTE 11

### TRANSFER TO RESERVES

Transfer to Reserves is made up of the following:

|                                  | 1996<br>US\$     | 1995<br>US\$     |
|----------------------------------|------------------|------------------|
| General Reserve                  | 3,341,409        | 3,056,336        |
| Reserve for Exchange Fluctuation | 1,000,000        | 882,569          |
| Reserve for Loss Fluctuation     | 200,000          | 200,000          |
|                                  | <u>4,541,409</u> | <u>4,138,905</u> |

## NOTE 12

### EXTRA-ORDINARY GAIN

This represents amount awarded, net of costs, on account of court judgement against one of the Corporation's bankers that wrongfully paid out a forged cheque and debited Africa Re's accounts in 1992. The case was successfully prosecuted in 1996 after the bank had refused to settle amicably.

## NOTE 13

### 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 14

### 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 POWERS OF MEMBER STATES AND ADB AS AT 31ST DECEMBER 1996

CURRENCY : US\$

|                              | Number<br>of shares | Value of<br>Shares | Amount not<br>Subscribed | Amount<br>Subscribed | Called-Up<br>and Paid | Called-Up<br>and Unpaid | Voting<br>Power |
|------------------------------|---------------------|--------------------|--------------------------|----------------------|-----------------------|-------------------------|-----------------|
| <b>MEMBER STATES</b>         |                     |                    |                          |                      |                       |                         |                 |
| 1. Algeria                   | 98                  | 980 000            |                          | 980 000              | 980 000               |                         | 4,43            |
| 2. Angola                    | 28                  | 280 000            |                          | 280 000              | 280 000               |                         | 1,27            |
| 3. Benin                     | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 4. Burkina Faso              | 18                  | 180 000            |                          | 180 000              | 180 000               |                         | 0,81            |
| 5. Burundi                   | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 6. Cameroon                  | 50                  | 500 000            |                          | 500 000              | 500 000               |                         | 2,26            |
| 7. Central African Republic  | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 8. Chad                      | 20                  | 200 000            |                          | 200 000              | 200 000               |                         | 0,90            |
| 9. Congo                     | 22                  | 220 000            |                          | 220 000              | 220 000               |                         | 0,99            |
| 10. Cote d'Ivoire            | 41                  | 410 000            |                          | 410 000              | 410 000               |                         | 1,85            |
| 11. Egypt                    | 98                  | 980 000            |                          | 980 000              | 980 000               |                         | 4,43            |
| 12. Ethiopia                 | 46                  | 460 000            |                          | 460 000              | 460 000               |                         | 2,08            |
| 13. Eritrea                  | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 14. Gabon                    | 28                  | 280 000            |                          | 280 000              | 280 000               |                         | 1,27            |
| 15. Gambia                   | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 16. Ghana                    | 55                  | 550 000            |                          | 550 000              | 550 000               |                         | 2,49            |
| 17. Guinea                   | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 18. Guinea Bissau            | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 19. Kenya                    | 43                  | 430 000            |                          | 430 000              | 430 000               |                         | 1,94            |
| 20. Liberia                  | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 21. Libya                    | 98                  | 980 000            |                          | 980 000              | 980 000               |                         | 4,43            |
| 22. Mali                     | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 23. Madagascar               | 30                  | 300 000            |                          | 300 000              | 300 000               |                         | 1,36            |
| 24. Mauritania               | 20                  | 200 000            |                          | 200 000              | 200 000               |                         | 0,90            |
| 25. Mauritius                | 23                  | 230 000            |                          | 230 000              | 230 000               |                         | 1,04            |
| 26. Morocco                  | 98                  | 980 000            |                          | 980 000              | 980 000               |                         | 4,43            |
| 27. Niger                    | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 28. Nigeria                  | 98                  | 980 000            |                          | 980 000              | 980 000               |                         | 4,43            |
| 29. Rwanda                   | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 30. Senegal                  | 35                  | 350 000            |                          | 350 000              | 350 000               |                         | 1,51            |
| 31. Seychelles               | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 32. Sierra Leone             | 22                  | 220 000            |                          | 220 000              | 220 000               |                         | 0,99            |
| 33. Somalia                  | 20                  | 200 000            |                          | 200 000              | 200 000               |                         | 0,90            |
| 34. Sudan                    | 50                  | 500 000            |                          | 500 000              | 500 000               |                         | 2,26            |
| 35. Swaziland                | 18                  | 180 000            |                          | 180 000              | 180 000               |                         | 0,81            |
| 36. Tanzania                 | 40                  | 400 000            |                          | 400 000              | 400 000               |                         | 1,85            |
| 37. Togo                     | 18                  | 180 000            |                          | 180 000              | 180 000               |                         | 0,81            |
| 38. Tunisia                  | 41                  | 410 000            |                          | 410 000              | 410 000               |                         | 1,85            |
| 39. Uganda                   | 36                  | 360 000            |                          | 360 000              | 360 000               |                         | 1,62            |
| 40. Zaire                    | 31                  | 310 000            |                          | 310 000              | 310 000               |                         | 1,41            |
| 41. Zambia                   | 56                  | 560 000            |                          | 560 000              | 560 000               |                         | 2,50            |
| 42. African Development Bank | 200                 | 2 000 000          |                          | 2 000 000            | 2 000 000             |                         | 9,0             |
| <b>SUB-TOTAL</b>             | <b>1685</b>         | <b>16 850 000</b>  |                          | <b>16 850 000</b>    | <b>16 850 000</b>     |                         | <b>76,1</b>     |
| <b>NON - MEMBER STATES</b>   |                     |                    |                          |                      |                       |                         |                 |
| 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. South Africa             | 98                  | 980 000            | 980 000                  |                      |                       |                         |                 |
| 11. Zimbabwe                 | 50                  | 500 000            | 500 000                  |                      |                       |                         |                 |
| <b>SUB-TOTAL</b>             | <b>315</b>          | <b>3 150 000</b>   | <b>3 150 000</b>         |                      |                       |                         |                 |
| <b>TOTAL</b>                 | <b>2 000</b>        | <b>20 000 000</b>  | <b>3 150 000</b>         | <b>16 850 000</b>    | <b>16 850 000</b>     |                         | <b>76,</b>      |



**STATEMENT OF SUBSCRIPTIONS & VOTING POWERS OF NATIONAL INSURANCE /  
REINSURANCE COMPANIES AS AT 31ST DECEMBER 1996**

CURRENCY : US\$

ANNEX 1 Contd.

|   | Number<br>of shares | Value of<br>Shares | Amount not<br>Subscribed | Amount<br>Subscribed | Called-Up<br>and Paid | Called-Up<br>and Unpaid | Voting<br>Power |
|---|---------------------|--------------------|--------------------------|----------------------|-----------------------|-------------------------|-----------------|
| <b>NATIONAL COMPANIES<br/>IN MEMBER COUNTRIES</b>     |                     |                    |                          |                      |                       |                         |                 |
| 1. Algeria  | 56                  | 560 000            |                          | 560 000              | 560 000               |                         | 2,53            |
| 2. Angola   | 16                  | 160 000            |                          | 160 000              | 52 500                | 107 500                 | 0,24            |
| 3. Benin  | 9                   | 90 000             |                          | 90 000               | 90 000                |                         | 0,41            |
| 4. Burkina Faso                                       | 10                  | 100 000            |                          | 100 000              | 100 000               |                         | 0,45            |
| 5. Burundi  | 9                   | 90 000             |                          | 90 000               | 90 000                |                         | 0,41            |
| 6. Cameroon   | 28                  | 280 000            |                          | 280 000              | 90 000                | 190 000                 | 0,41            |
| 7. Central African Republic                           | 9                   | 90 000             | 90 000                   |                      |                       |                         |                 |
| 8. Chad   | 11                  | 110 000            | 110 000                  |                      |                       |                         |                 |
| 9. Congo  | 12                  | 120 000            |                          | 120 000              |                       | 120 000                 |                 |
| 10. Cote d'Ivoire                                     | 22                  | 220 000            |                          | 220 000              | 182 500               | 37 500                  | 0,83            |
| 11. Egypt   | 56                  | 560 000            |                          | 560 000              | 560 000               |                         | 2,53            |
| 12. Ethiopia  | 26                  | 260 000            |                          | 260 000              | 260 000               |                         | 1,18            |
| 13. Eritrea   | 9                   | 90 000             |                          | 90 000               | 90 000                |                         | 0,41            |
| 14. Gabon   | 15                  | 150 000            |                          | 150 000              | 12 500                | 137 500                 | 0,06            |
| 15. Gambia  | 9                   | 90 000             | 90 000                   |                      |                       |                         |                 |
| 16. Ghana   | 30                  | 300 000            | 50 000                   | 250 000              | 150 000               | 100 000                 | 0,68            |
| 17. Guinea  | 9                   | 90 000             |                          | 90 000               | 90 000                |                         | 0,41            |
| 18. Guinea Bissau                                     | 9                   | 90 000             | 90 000                   |                      |                       |                         |                 |
| 19. Kenya   | 24                  | 240 000            |                          | 240 000              | 230 000               | 10 000                  | 1,04            |
| 20. Liberia   | 9                   | 90 000             | 90 000                   |                      |                       |                         |                 |
| 21. Libya   | 56                  | 560 000            |                          | 560 000              | 560 000               |                         | 2,53            |
| 22. Mali  | 9                   | 90 000             |                          | 90 000               |                       | 90 000                  |                 |
| 23. Madagascar  | 17                  | 170 000            |                          | 170 000              | 170 000               |                         | 0,77            |
| 24. Mauritania  | 11                  | 110 000            |                          | 110 000              | 70 000                | 40 000                  | 0,32            |
| 25. Mauritius   | 14                  | 140 000            |                          | 140 000              | 140 000               |                         | 0,63            |
| 26. Morocco   | 56                  | 560 000            |                          | 560 000              | 560 000               |                         | 2,53            |
| 27. Niger   | 9                   | 90 000             |                          | 90 000               | 45 000                | 45 000                  | 0,20            |
| 28. Nigeria   | 56                  | 560 000            |                          | 560 000              | 560 000               |                         | 2,53            |
| 29. Rwanda  | 9                   | 90 000             |                          | 90 000               | 90 000                |                         | 0,41            |
| 30. Senegal   | 19                  | 190 000            |                          | 190 000              | 10 000                | 180 000                 | 0,05            |
| 31. Seychelles  | 9                   | 90 000             | 90 000                   |                      |                       |                         |                 |
| 32. Sierra Leone                                      | 12                  | 120 000            | 70 000                   | 50 000               | 12 500                | 37 500                  | 0,06            |
| 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              | 157 500               | 52 500                  | 0,71            |
| 37. Togo  | 10                  | 100 000            |                          | 100 000              | 100 000               |                         | 0,45            |
| 38. Tunisia   | 22                  | 220 000            | 100 000                  | 120 000              | 30 000                | 90 000                  | 0,14            |
| 39. Uganda  | 20                  | 200 000            |                          | 200 000              | 180 000               | 20 000                  | 0,81            |
| 40. Zaire   | 18                  | 180 000            |                          | 180 000              | 22 500                | 157 500                 | 0,10            |
| 41. Zambia  | 31                  | 310 000            | 310 000                  |                      |                       |                         |                 |
| <b>SUB-TOTAL</b>                                      | <b>826</b>          | <b>8 260 000</b>   | <b>1 580 000</b>         | <b>6 680 000</b>     | <b>5 265 000</b>      | <b>1 415 000</b>        | <b>23,81</b>    |
| <b>NATIONAL COMPANIES IN<br/>NON-MEMBER COUNTRIES</b> |                     |                    |                          |                      |                       |                         |                 |
| 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. South Africa                                      | 56                  | 560 000            | 560 000                  |                      |                       |                         |                 |
| 11. Zimbabwe  | 28                  | 280 000            | 280 000                  |                      |                       |                         |                 |
| <b>SUB-TOTAL</b>                                      | <b>174</b>          | <b>1 740 000</b>   | <b>1 740 000</b>         |                      |                       |                         |                 |
| <b>TOTAL</b>  | <b>1 000</b>        | <b>10 000 000</b>  | <b>3 320 000</b>         | <b>6 680 000</b>     | <b>5 265 000</b>      | <b>1 415 000</b>        | <b>23,81</b>    |
| <b>GRAND TOTAL</b>                                    | <b>3 000</b>        | <b>30 000 000</b>  | <b>6 470 000</b>         | <b>23 530 000</b>    | <b>22 115 000</b>     | <b>1 415 000</b>        | <b>100,00</b>   |



# ANNEX III

## SUMMARY ADMINISTRATIVE BUDGET FOR THE PERIOD 1ST JANUARY TO 31ST DECEMBER, 1997

IN US\$'000

Capital Expenditure (including Furniture, Fittings and Motor Vehicles )

Annual General Assembly (including hall facilities, transportation, subsistence allowances, attendance fees and travel expenses relating thereto )

Board of Directors' Meetings (including hall facilities, transportation, subsistence allowances, attendance fees and travel expenses relating thereto )

Emoluments of Management and Other Staff

Travel & Subsistence Expenses relating to operations, education and training

General Expenses

| 1997 | 1996            |                    | 1995            |                    |
|------|-----------------|--------------------|-----------------|--------------------|
|      | Approved Budget | Actual expenditure | Approved Budget | Actual expenditure |
|      | 219             | 205                | 143             | 134                |
|      | 149             | 139                | 118             | 118                |
|      | 279             | 280                | 245             | 290                |
|      | 2,858           | 2,559              | 2,547           | 1,997              |
|      | 249             | 223                | 225             | 205                |
|      | 1,303           | 1,061              | 1,160           | 1,067              |
|      | 5,057           | 4,467              | 4,438           | 3,811              |