AFRICAN REINSURANCE CORPORATION
GENERAL ASSEMBLY
FOURTH ANNUAL ORDINARY MEETING
LOME, TOGO, 17th - 19th JUNE, 1982

AFRICARE/GA/6/39

Report of the Board of Directors covering the period 1st January to 31st December, 1981

AFRICAN REINSURANCE CORPORATION
SOCIETE AFRICAINE DE REASSURANCE

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Lagos Nigeria

Ref:

Date: 17th June, 1982

Honourable Representatives,
General Assembly,
African Reinsurance Corporation,

Your Excellencies,

In accordance with Articles 14 and 37 of the Agreement Establishing the African Reinsurance Corporation and Article 8 of the General Regulations made thereunder, 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, 1981, as well as the Summary of the Administrative Budget for the financial year January–December, 1982.

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

SAAD KANOUNI
Chairman of the Board of Directors

COMPOSITION OF AFRICARE BOARD OF DIRECTORS

Chairman
Saad Kanouni (Morocco)

Vice Chairman
D. T. Potouonjou (Cameroun)

Directors
L. Titah (Algeria)
J. A. Amani (Ivory Coast)
F. T. Nyammo (Kenya)
E. Okwor (Nigeria)
A. El-Dawi (Sudan)
S. H. Konie (Zambia)
B. N'Diaye (African Development Bank)

Alternate Directors
O. A. Arab (Libya)
(Alternate to Mr. Kanouni)
J. Nzamba Kassa (Gabon)
(Alternate to Mr. Potouonjou)
B. Camara (Mauritania)
(Alternate to Mr. Titah)
C. Sinbananiye (Burundi)
(Alternate to Mr. Amani)
G. Mwaikambo (Tanzania)
(Alternate to Mr. Nyammo)
O. Kufuor (Ghana)
(Alternate to Mr. Okwor)
E. M. Abdel Barry (Egypt)
(Alternate to Mr. El-Dawi)
A. Bezabeh (Ethiopia)
(Alternate to Mr. Konie)
M. Chalobah (ADB)
(Alternate to Mr. N'Diaye)

COMPOSITION OF AFRICARE MANAGEMENT

Edward Mensah (Ghana)
General Manager and Chief Executive

Kabisi pene Yemba Milanga (Zaïre)
Deputy General Manager

Nabil S. Mohareb (Egypt)
Secretary General

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INTRODUCTION

Our last Report covering the financial year ended on the 31st December, 1980 contained the final Accounts of the Corporation's first underwriting year (1978). Indeed, in accordance with the accounting method adopted by the Corporation, the technical accounts of a particular underwriting year are left 'open' for three years, and it is only at the end of this period that the final results of the said underwriting year can be known. This document, therefore deals with the financial year ended on the 31st December, 1981 and contains the final results for the year 1979, which is the second underwriting year of the Corporation.

Brief though as it may be in the history of any corporate body, the development of the Corporation during this four-year-period seems to indicate that the idea of promoting a Pan-African body to provide reinsurance cover was well conceived and properly implemented.

In presenting this fourth Annual Report, the Board of Directors is happy to observe that the initial pessimistic expectations in certain circles regarding the prospects of a Pan-African Reinsurance Corporation have now given way to appreciation of the progress it has so far accomplished: favourable assessment of its underwriting and retrocession policies, sound technical reserves and the business-like manner with which it goes about all matters affecting the healthy growth of the Corporation.

The satisfactory results recorded at the end of 1981 could have been better had it not been for official devaluation and/or depreciation of national currencies in some Member States in terms of the US Dollar, which is the Corporation's operational unit of account. This problem is currently being investigated with a view to finding an appropriate course of action to at least minimise similar effects in the future.

It is the conviction of the Board that the progress of Africa Re during its first four years of operations and its marked success in meeting the strong challenges which it faced from inception has provided ample proof of the credibility and usefulness of profit making regional inter-governmental institutions as powerful instruments of African development.

Background to the Fourth Financial Year

During the year under review many countries in the world experienced varying degrees of economic fortunes. Inflation remained the number one problem of most national economies as it further eroded the real value of financial gains during 1981. More so for developing countries particularly in Africa where import bills and balance of payment deficits escalated.

The world commodity market showed no positive signs of rebound from the sluggishness observed in our last Report, as was evidenced by the generally low prices which prevailed during the year. This worsening situation, combined with the declining demand for imports by the industrialised countries, due to the recession, depressed the export earnings of primary commodity producers in Africa.

The high energy prices which had been one of the key factors affecting growth prospects in recent times suffered some decline owing to the oil glut during the later part of the year. This development brought some signs of relief to oil-importing nations while it entailed some readjustments on the part of the oil-exporting countries. On the other hand, prevailing high interest rates severely affected debt servicing costs and new investment opportunities. Consequently, some countries have had to reschedule and/or scale down their development programmes. Measures to meet the exigencies of this difficult period resulted in the official devaluation of some national currencies during 1981.

The foregoing economic, and to some relevant extent, the political circumstances which prevailed during 1981 had serious implications for insurers and reinsurers because of the international nature of their business.

Insurance variables such as premium income levels, claims reserves and other related items must have been affected, as increases in cost of services outstripped the inflation rates in some countries. Multi-currency portfolios of international reinsurers demanded careful attention as these are subject to losses arising out of differences in exchange rates. Besides, the adverse balance of payments situation and the dearth of foreign exchange in many countries impeded prompt remittances, a factor that has a bearing on investment income.

On the whole, insurance and reinsurance operations in Africa during 1981 may be regarded as normal. No major natural disasters were reported. However, losses resulting from the late 1980 storm along the West Coast of Algeria were still being processed in 1981.

Two Fire losses affecting an oil refinery and a storage depot in Nigeria were reported. The estimated losses are US$14.7m. Fire/LOP and US$8m respectively. Marine business recorded two major losses, the sinking of the 'Super Servant II' on River Zaire estimated to cost US$18m and the loss to the Egyptian market of entire cargo of eggs and chicken on 'Flamme Pride'. Losses in Aviation involved crashes of 2 aircraft, one (Fokker F27) in Somalia and another (Twin Otter) in Madagascar leaving 50 and 19 persons dead.

The process of formation of new insurance companies reported last year continued during 1981 as one or more companies were established in countries like Egypt, Mauritius, Kenya, Nigeria and Sudan, while Tunis Re commenced operations at the beginning of the second quarter of the year. CICA RE came into being in September 1981 with the signing of the Agreement establishing it.

In the area of legislation, a new law for the supervision and control of insurance in Egypt came into effect on March 1, 1981, while Tunisia introduced a new legislation stipulating an initial minimum capital requirement for insurance companies to replace its former turnover requirement, and cancelling

legal cessions as from 1982. In Kenya, Motor Third Party Insurance became compulsory during 1981 and in the Cameroun there was an upward review of premium rates affecting Motor Third Party liability risks.

It is also now compulsory by law to locally insure Marine Hull Risks registered in Tunisia. Regulations for the localisation of the insurance of imports are also underway in Tunisia, Algeria and Zambia.

Loss prevention activities mentioned in our earlier Reports have improved results in a number of countries, especially Libya, Nigeria and Morocco.

Against this background to our Fourth Financial Year, 307 insurance and reinsurance companies from 39 countries on the Continent of Africa transacted reinsurance business with the Corporation in 1981.

FOUR YEARS OF OPERATIONS — GROWTH AND DEVELOPMENT

Premium Income

1978/1979 Underwriting Years

At the commencement of business in 1978, it was estimated that GPI of US$26.2m would accrue to the Corporation in respect of the 1978 underwriting year. However, by the time the accounts for this underwriting year were closed at the end of the third year (1980) the Corporation had recorded US$20,814,081 or 79% of the target figure. At the end of the fourth year (1981) the total income for this underwriting year had risen to US$21,913,606. As has already been reported in our previous Annual Reports, the reasons for the shortfall in our production estimate for our first year were mainly due to the fact that a number of markets had not been given sufficient time to enable them to issue the necessary directives to companies in compliance with the statutory provisions relating to cessions to Africa Re.

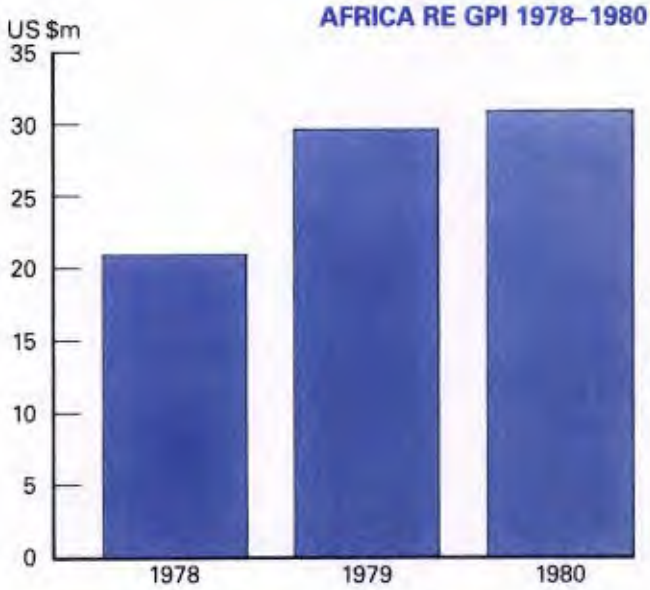
Efforts made by our marketing teams during the fall of 1978 produced positive impact on our premium income development for the underwriting year 1979. This is evidenced by the fact that at the close of the third year (1981) the gross premium income reported for 1979 stood at US$29,234,226 an increase of 33% over that of 1978 as at the end of the fourth year, and representing a growth rate of 12% over our original estimates for our first year of operation. Judging by the experience of our fourth year we are confident that the final figures for the underwriting year 1979 will show an improvement over the income recorded at the end of the third year.

1980/1981 Underwriting Years

The favourable trend that characterised the flow of cessions from ceding companies during 1979 continued at a greater pace for 1980 and 1981 underwriting years. As a consequence of this improved situation, the Corporation had recorded by the end of the second year of the underwriting year 1980 a total income of US$28,793,798. In the light of this development, we are encouraged to believe that our premium production for 1980, by the time the accounts for this year are closed, will exceed US$30m as at least 10% of total cessions expected for the year in question are still to come.

Premium Income so far recorded for the first year in respect of 1981 underwriting year would seem to suggest that the growth rate level would follow the trend that has been established for the previous underwriting years i.e. 1979 and 1980. For instance, the total GPI recorded during the first year of the 1981 underwriting year amounting to US$10.53m compares favourably with the total premium recorded for the first year of the 1980 underwriting year which stood at US$9.12m. Thus, if the result of this comparison could be used as a guide and, assuming a yearly growth rate of about 10%, it is anticipated that a likely premium income for 1981 underwriting year would be in the region of US$34 million.

AFRICA RE GPI 1978–1980



The GPI for 1978 and 1979 are for fourth and third year accounts respectively, whilst for 1980 it is projected income

The prospects of our overall premium development in Africa seem encouraging. And with the opening of our regional office in Nairobi, Kenya, from 1st January, 1982, we are confident that efforts being made to consolidate existing business relations as well as to generate new business will yield fruitful results in the years ahead.

International Business — Non-African

During our first year of operations, it was deemed appropriate that the Corporation should concentrate its efforts on the development and efficient handling of the statutory cessions from markets in Africa. As a matter of policy, therefore, we were not to engage in writing international business from outside the Continent. By December, 1978, however, as a result of experience gained from handling the legal cessions and also from observations made in respect of the Corporation's outward portfolio to non-African markets, it was felt that guided by caution and prudent underwriting Africa Re could accept modest token exchanges from those companies in the international markets able to offer worthwhile business. Thus in 1979, on a very small scale, we commenced writing non-African business from selected companies.

To date the gross total income written from this source over the period 1979-1981 amounts to US$3,646,489. The average yearly income from our international acceptances is US$1,215,500 and represents only about 4% of our gross yearly premium income.

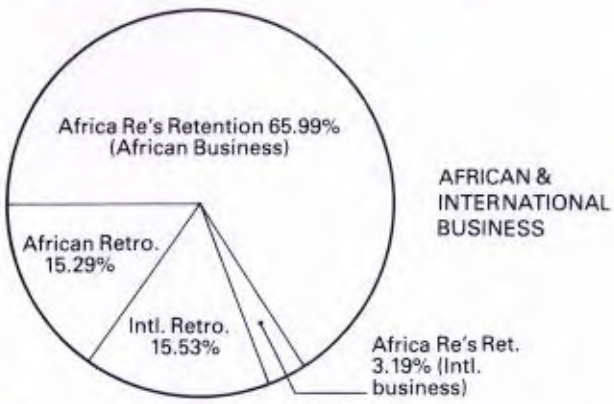
RETENTION/RETROCESSIONS

The proportion of the total gross premium income retained by Africa Re for the 1978 underwriting year was approximately 64% of the gross premium written. The balance of 36% was retroceded to African and international markets. As at the end of the third year, the figures for 1979 underwriting year put Africa Re's gross retention at approximately 70% of the total premium written for that year. From experience gained during the previous year there is reason to believe that the overall retention of 70% for 1979 would be slightly increased by the end of the fourth year. In view of the upward modifications

1978 U/Y — Distribution of Premium Income

AFRICAN BUSINESS

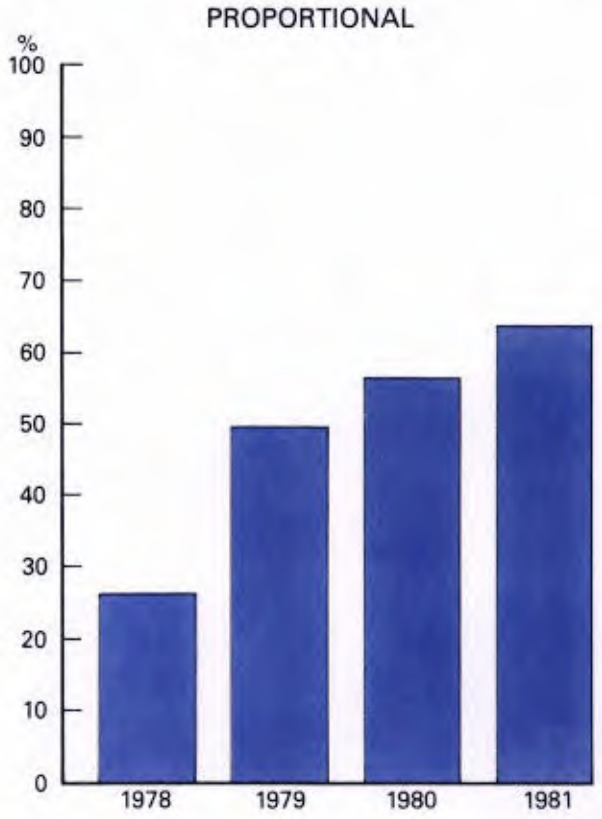
1979 U/Y — Distribution of Premium Income

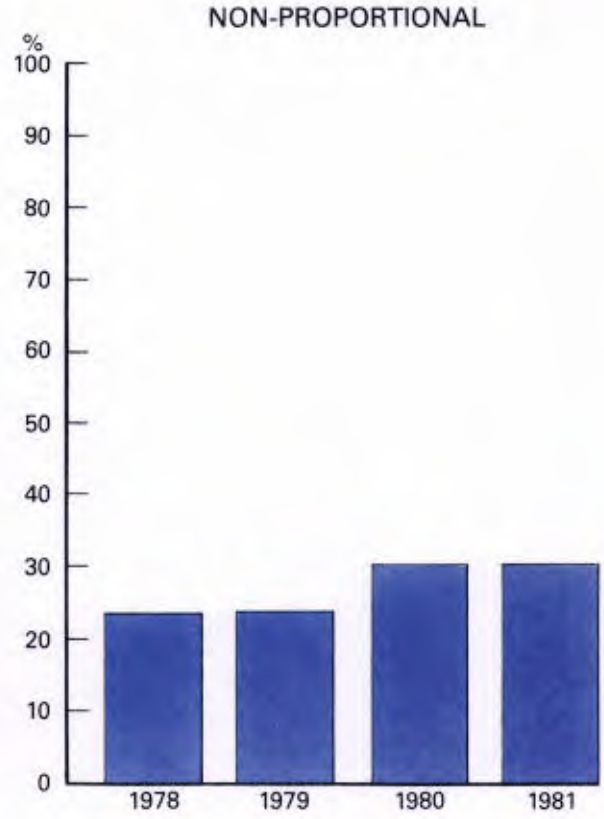


in retentions made in 1980 and 1981, it is expected that the gross retention levels for the Corporation in respect of those underwriting years would be further improved, thus achieving slowly one of the objectives of the Corporation i.e. to retain as much volume of business placed with it as its technical capacity will permit.

The volume of business accepted by our African partners by way of retrocessions from the Corporation increased considerably during 1979 and continues to grow every year. The reasons for the improved level of acceptances, no doubt, may be due to three main factors. Firstly, the good quality of the business offered provided the initial incentive. Secondly, the fact that it was made possible for African companies to have an option to choose from either the Proportional or Non-Proportional sections or even to write on the Bouquet basis, gave some further encouragement. Thirdly, from the results of marketing survey made by the Corporation during its first year, it was evident that more companies had understood the retrocession programme and were prepared to accept suitable shares of our business for the ensuing year than was the case in the previous year. As a consequence of this development, there is a noticeable upward trend year by year of greater participation by African companies in our retrocession programme as shown in the diagrams below:

SHARE OF AFRICAN RETROCESSIONAIRES ON AFRICARE RETROCESSION PROGRAMMES 1978–1981





1982 Retrocession Programme

While basically retaining the essential technical considerations that formed the basis of the Corporation's first Retrocession Programme, further improvements were introduced into the arrangement for 1982 as experience over our four years operations deemed necessary in the greater interest of Africa Re and its Retrocessionaires. It is our belief that when the accounts for the underwriting year 1982 are closed in 1984 the results will justify the designed objectives of the new programme.

ACCOUNTS FROM CEDING COMPANIES

It is gratifying to note that our ceding companies have responded well to the Corporation's appeal for early despatch of accounts to Africa Re. During the first year of the underwriting year 1979, 27% of accounts for that year was rendered by ceding companies as against 17% in the first year of 1978. Similarly, there has been a remarkable increase in the flow of accounts to Head Office in respect of 1980 and 1981 underwriting years. This favourable trend is reflected by the number of statements processed by the Corporation each year as shown in the table below. It is felt that the opening of our regional office in North Africa (Casablanca) in addition to the improved communications between Africa Re and our cedants have contributed in no small measure to this desirable situation.

Analysis of Statements Processed

Underwriting Year	Financial Year			
	1978	1979	1980	1981
1978	1,136	3,986	1,584	902
1979		2,520	5,038	3,273
1980			3,073	5,420
1981				3,482
Total	1,136	6,506	9,695	13,077

CLAIMS EXPERIENCE

African Business

The overall loss experience of our African business recorded by the Corporation for the 1978 underwriting year as at the end of the fourth year is good and encouraging. Although the statistics in this respect cannot yet be considered as final, available figures show a provisional loss ratio of about 73%. Moreover, information obtained at the end of the third year in respect of the 1979 underwriting year would seem to suggest a similar trend to that of the previous year, also with a provisional loss ratio of about 70%.

It must be stressed that in arriving at the loss ratios above, absolute net figures for income was taken into account and on the claims side, actual paid losses plus loss reserves which include a provision for IBNR. We are satisfied that the provision for unreported losses is adequate.

International Business

In respect of our non-African business written for the underwriting year 1979, statistics so far collected as at the end of the third year give a loss ratio of approximately 88%. Again, this position can only be regarded as provisional as the Corporation has yet to build up adequate experience as to how long it takes to run-off business from this area of our operations.

Results of the Underwriting Year 1979

By the end of 1981, the Corporation had received almost all reinsurance statements of accounts relating to the underwriting year 1979, and it was therefore possible to draw up final accounts in respect of the said year's portfolio.

After meeting all obligations assumed under treaties ceded and other cessions for the underwriting year 1979, and also after making adequate provisions for future claims in respect of 1979 underwriting year, the Corporation recorded its second successful year of operation with a profit of US $2,014,047 (1978—US $1,103,742) representing 43.69% (1978—23.9%) of the paid-up capital. The profit has been transferred to the Profit and Loss Account for appropriation.

Results of the Financial Year 1981

The underwriting premium income net of retrocession for the financial year 1981 amounted to US $33,747,426 (1980—US $28,086,890). Underwriting outgo amounted to US $20,008,677 leaving a balance of US $13,738,749 out of which US $2,014,047 and US $3,106,400 were transferred to Profit and Loss Account and Reserve Fund respectively. The balance of US $8,618,302 represent the Reinsurance Funds for the 1980 and 1981 underwriting years.

Investment and other income yielded an amount of US $830,615 (1980—US $578,381). Other outgo totalling US $2,097,669 (1980—US $309,306) was also written off leaving a net profit of US $746,993 (1980—US $561,596) available for appropriation for the financial year 1981. The Directors recommend a dividend of US $461,000 representing 10% of the Paid-up-Capital, and to carry forward the balance in the Profit and Loss Account.

AFRICA RE MEETS INSURANCE MARKET IN MAURITIUS

OTHER ACTIVITIES

a) Regional Offices

Discussions with the Kenyan Authorities, with a view to establishing the Corporation's East African Office in Nairobi, have been successful as almost all arrangements leading to the commencement of operations by the Office on January 1, 1982 were completed, and by the end of 1981 the regional representative had already taken up residence in Nairobi. The Office will enjoy the status of an international organisation in Kenya as is the case with the Headquarters in Nigeria, and the Corporation's first regional office in Morocco.

b) Relations with International and Regional Organisations

The Corporation continued to build up its relations with international and regional organisations concerned with insurance and reinsurance matters as well as the overall development of Africa.

In the field of insurance and reinsurance, the Corporation continued to show great interest in the activities of the professional associations such as the African Insurance Organisation (AIO), the West African Insurance Companies Association (WAICA), the Federation of Afro-Asian Insurers and Reinsurance (FAIR), the Federation des Societes d'Assurances de Droit National Africaines (FANAF), Conference Internationale des Controles d'Assurances (CICA), the Arab General Insurance Union (U.G.A.A.) and other organisations concerned with the development of the industry.

On the other hand, the Corporation continued to follow with interest the activities of the international community relating to issues affecting African development. It participated in particular, in meetings of the UN Economic Commission for Africa (ECA) and in the Sixth Conference of African Ministers of Industry held in Addis Ababa in late 1981 under the auspices of the OAU, ECA and the UN Industrial Development Organisation (UNIDO).

On the sub-regional level, the Corporation contributed to the ongoing efforts by the Economic Community of West African States (ECOWAS) to introduce the proposed 'Third Party Motor Vehicle Insurance Card'.

Early in 1981, the Corporation was given Observer Status with the Organisation of African Unity (OAU).

c) 'Shelter-Afrique' Project

The Corporation pursued its modest contribution to the ongoing efforts by the African Development Bank to promote the establishment of a Pan-African Institution for housing development i.e. Shelter-Afrique.

Shortly before the end of 1981, the project had attracted the blessing and support of a large number of African States, a development that improved its prospects enormously. It is hoped that the preparatory work will be completed in the course of 1981, and that the Corporation will become one of its founders side by side with ADB as well as many African States.

STAFF MATTERS

At the end of 1981, the Corporation's staff, numbered 76, as in 1980, because the departure of 8 staff members was off-set by 8 new recruitments during the year under review.

The entire staff is made up of 35 professional staff, 28 in the general service and 13 in the manual categories. Out of the total staff, 65 people worked at the Headquarters, while the remaining 11, of which 5 are professionals, were stationed at the Casablanca Office.

The following table exhibits the composition of staff as per category and country of origin with figures for 1980 for comparison purposes.

Staff Composition as at end of 1981

	Staff Category			Total	
	Professional	General Service	Manual	1981	1980
Benin	1	—	—	1	1
Cameroun	1	1	—	2	1
Congo	1	—	—	1	1
Egypt	1	—	—	1	2
Ethiopia	2	—	—	2	2
Ghana	9	2	2	13	12
Morocco	1	4	2	7	6
Nigeria	10	17	9	36	39
Rwanda	1	—	—	1	1
Senegal	1	—	—	1	1
Sierra Leone	1	—	—	1	1
Togo	3	3	—	6	6
Uganda	2	—	—	2	2
Zaïre	1	—	—	1	1
Zambia	—	1	—	1	—
Total	35	28	13	76	76

MEMBERSHIP OF THE CORPORATION

There was no change in the membership of the Corporation during 1981 as the composition remained at 36 Member States and the African Development Bank. Liberia remains the only country that acquired full membership status in accordance with the special resolution adopted by the General Assembly at its Inaugural Meeting in 1977, yet to pay its initial subscription to render its voting power effective at General Assembly Meetings.

The official instruments of ratification of the Agreement establishing the Corporation by Congo and Liberia were received during 1981.

Efforts to interest other African States in becoming members of the Corporation continued to be made, and it is hoped that positive results will be achieved soon in this direction.

GENERAL ASSEMBLY

At the invitation of the Military Government of Socialist Ethiopia, the General Assembly of the Corporation held its Third Annual Ordinary Meeting at Africa Hall in Addis Ababa on the 25th and 26th of June, 1981. Comrade Teferra Wolde Semait, Minister of Finance of Socialist Ethiopia presided over the formal opening and closing ceremonies of the Meeting.

The Meeting was attended by Representatives of 29 Member States and the African Development Bank, accounting for 92.62% of the total voting power of the Corporation. Also attending the Meeting, in observer status, were Representatives of the Governments of Cape Verde, Rwanda and Sao Tome and Principe as well as observers from international organisations such as the United Nations Economic Commission for Africa (ECA), Conference Internationale de Controle d'Assurances (CICA) and the West African Insurance Companies Association (WAICA), as well as some of the Corporation's retrocessionnaires.

The General Assembly approved the Report of the Board of Directors for the period January – December, 1980 as well as the final accounts for the financial year ending 31st December, 1980. It appointed Akintola Williams & Co (Nigeria) and Z. Hassan, H. Hassan & Co (Egypt) as External Co-Auditors for the financial year ending 31st December, 1981.

The General Assembly elected Mr. A. J. Amani (Ivory Coast) to replace the late Mr. V. B. Mobioh, whose untimely death early in the year created a vacancy on the Board of Directors. Mr. Amani retained Mr. C. Simbananiye (Burundi) as his Alternate Director.

The Representatives of Central African Republic, Ghana, Libya and Mauritania were elected members of the Resolutions Committee. The text of the Resolutions adopted by the General Assembly at its Third Annual Meeting are given in Annex III of the Report.

BOARD OF DIRECTORS

During the year 1981, the Board of Directors held three meetings on the following dates and at the venues indicated:—

Meetings	*Dates*	*Venues*
18th	29 – 30 April	Lusaka, Zambia
19th	22 – 23 June	Addis Ababa, Ethiopia
20th	26 – 27 November	Lagos, Nigeria

Apart from drawing up general policies and reviewing the progress of the Corporation, the Board gave appropriate attention to a number of important issues during the year. Notable among these were the opening of the Nairobi Office, and the 1982 Retrocession Programme. Attention was also given to the long and medium term investment policy of the Corporation.

Mr. B. Camara (Mauritania) replaced Mr. M. Khalif (Somalia) as Alternate Director to Mr. L. Titah with effect from 1st July, 1981. This, in addition to the election of Mr. Amani by the General Assembly were the only changes that took place in the composition of the Board of Directors of the Corporation in 1981.

GENERAL ASSEMBLY ADDIS ABABA ETHIOPIA JUNE 1980

FINANCIAL HIGHLIGHTS
for the year ended 31st December, 1981

		1981 US $	1980 US $
	Underwriting Revenue Accounts		
1.	Total Gross Premium Income written in 1981 for Underwriting Years 1979, 1980 and 1981	36,938,218	30,841,156
2.	Gross Premium Retained in 1981 for Underwriting Years 1979, 1980 and 1981	33,747,426	28,086,890
3.	Net outgo being claims, commissions, charges and other expenses	20,008,677	16,366,511
4.	Reserve Fund at 31st December, 1981	5,251,200	2,566,763
5.	Reinsurance Funds at 31st December, 1981	8,618,302	8,049,873
6.	Underwriting Profit	2,014,047	1,103,742
	Investment and Income Therefrom		
7.	Short-Term Investments	3,792,116	2,902,224
8.	Income from Investments and Interest	577,472	513,773
	Profit and Loss Account		
9.	Expenses of General Assembly and Board of Directors' Meetings	398,092	476,724
10.	Other General Expenses	2,298,716	1,930,954
11.	General Reserve and Retained Earnings at 31st December, 1981	847,589	561,596
12.	Proposed Dividend	461,000	—
13.	Profit for the Year	746,993	1,143,256

Financial Statements for the year ended 31st December, 1981 and the External Auditors Report thereon.

The Financial Statements for the Year ended 31st December, 1981, Notes on the Accounts, Statement of Source and Application of Funds, and the Report of the External Auditors thereon are given in the following pages.

REPORT OF THE AUDITORS

We have examined the annexed accounts of African Reinsurance Corporation comprising the Balance Sheet, Profit and Loss Account, Underwriting Revenue Account, Statement of Source and Application of Funds, and the Notes thereon, numbered 1 to 20 in accordance with our terms of reference and have obtained all the information and explanations which we considered necessary.

Our examination was made in accordance with generally accepted auditing standards and the requirements of the relevant financial regulations of the Corporation and included such tests of the accounting records and other auditing procedures which we considered necessary. Proper books have been kept and the accounts are in agreement therewith.

In our opinion, the Balance Sheet, Profit and Loss Account, Underwriting Revenue Account, Statement of Source and Application of Funds together with the Notes thereon, give respectively a true and fair view of the financial position of African Reinsurance Corporation at 31st December, 1981, the balance on the Profit and Loss and Underwriting Revenue Accounts and the Source and Application of Funds for the year to that date.

AKINTOLA WILLIAMS & CO.

Chartered Accountants

Z. HASSAN, H. HASSAN & CO.

Public Accountants

20th April, 1982

AFRICAN REINSURANCE CORPORATION

BALANCE SHEET AT 31st DECEMBER, 1981

	Note	1981 US $	1981 US $	1980 US $	1980 US $
RESOURCES EMPLOYED					
Fixed Assets	3		233,537		290,097
Investments	4		3,792,116		2,902,224
Current Assets					
Amount due from companies on reinsurance accounts	5	7,758,307		6,036,867	
Deposits retained by ceding companies	6	23,489,862		13,222,689	
Sundry debtors, accrued interest and prepayments	7	515,030		238,660	
Bank and cash balances	8	1,415,066		2,030,368	
		33,178,265		21,528,584	
Less: **Current Liabilities**					
Amount due to companies on reinsurance accounts	9	6,769,481		4,282,416	
Deposits due to retrocessionaires	10	9,638,277		4,055,174	
Other creditors, accruals and provisions	11	1,008,069		595,083	
Proposed dividend		461,000		—	
		17,876,827		8,932,673	
			15,301,438		12,595,911
			US $19,327,091		US $15,788,232
FUNDED BY:—					
CAPITAL STOCK	12		10,000,000		10,000,000
Paid-up Capital	12		4,610,000		4,610,000
General Reserve and Retained Earnings	13		847,589		561,596
			5,457,589		5,171,596
RESERVE FUND	14		5,251,200		2,566,763
Reinsurance Funds			8,618,302		8,049,873
			US $19,327,091		US $15,788,232

SAAD KANOUNI *Chairman*

EDWARD MENSAH *General Manager*

The notes on pages 23 to 28 form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1981

	Note	1981 US $	1981 US $	1980 US $	1980 US $
Transfers from Underwriting Revenue Accounts	15				
Fire and Accident		1,408,322		834,162	
Marine and Aviation		605,725		269,580	
			2,014,047		1,103,742
Income not Credited to Other Accounts					
Investment income and interest		577,427		513,773	
Interest on reinsurance deposits		253,188		64,558	
			830,615		578,331
			2,844,662		1,682,073
Expenses not charged to Underwriting Revenue Account					
General Assembly and Board of Directors' Meetings		398,092		476,724	
Provision for auditors' remuneration		70,000		25,000	
Depreciation		119,647		119,897	
Loss/(Profit) on Exchange		1,509,930		(312,315)	
			2,097,669		309,306
			746,993		1,372,767
Deferred Revenue Expenditure written off			—		229,511
			746,993		1,143,256
Balance brought forward from previous year			—		(581,660)
Balance available for appropriation			746,993		561,596
Proposed dividend			461,000		—
Balance carried forward			US $285,993		US $561,596

The notes on pages 23 to 28 form an integral part of these accounts.

UNDERWRITING REVENUE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1981

	Note	Fire and Accident US $	Marine and Aviation US $	Life US $	Total 1981 US $	1980 US $
Underwriting Income						
Funds brought forward		4,347,752	3,550,585	151,536	8,049,873	4,932,468
Gross Premiums		19,791,384	16,514,866	631,968	36,938,218	30,841,156
		24,139,136	20,065,451	783,504	44,988,091	35,773,624
Less: Retrocession Premiums		6,611,075	4,629,590	—	11,240,665	7,686,734
Net Premiums		17,528,061	15,435,861	783,504	33,747,426	28,086,890
Underwriting Outgo						
Claims	16	4,561,739	3,996,543	302,871	8,861,153	6,684,478
Commissions	17	4,213,642	3,782,547	135,420	8,131,609	7,132,087
Excess of loss Premiums		222,408	152,443	—	374,851	395,800
Charges	18	113,893	227,201	1,254	342,348	223,192
Management Expenses	19	1,238,548	1,021,549	38,619	2,298,716	1,930,954
		10,350,230	9,180,283	478,164	20,008,677	16,366,511
		7,177,831	6,255,578	305,340	13,738,749	11,720,379
Transferred to Reserve Fund		1,200,000	1,800,000	106,400	3,106,400	2,566,763
		5,977,831	4,455,578	198,940	10,632,349	9,153,616
Transferred to Profit and Loss Account		1,408,322	605,725	—	2,014,047	1,103,743
Reinsurance Funds		4,569,509	3,849,853	198,940	8,618,302	8,049,873
Made up of Funds applicable to:						
1979 Underwriting Year					—	5,992,669
1980 Underwriting Year					7,215,872	2,057,204
1981 Underwriting Year					1,402,430	—
Total being Reinsurance Funds Carried forward at 31st December, 1981					US $8,618,302	8,049,873

The notes on pages 23 to 28 form an integral part of these accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st DECEMBER, 1981

	1981		1980	
	US $	US $	US $	US $
Source of Funds				
Net Operating Profits	752,867		1,143,256	
Sale of Fixed Assets	10,524		3,737	
		763,391		1,146,993
Adjustments for Items not involving the movement of funds—				
Depreciation	119,647		118,029	
Deferred Revenue Expenditure written off	—		229,511	
		119,647		347,540
		883,038		1,494,533
Other Sources of Fund				
Reserve Fund	2,684,437		2,566,763	
Capital Stock	—		65,000	
Reinsurance Funds	568,429		3,117,405	
		3,252,866		5,749,168
		4,135,904		7,243,701
Application of Funds				
Purchase of Fixed Assets		79,485		127,151
		4,056,419		7,116,550
Add/(Deduct) Movement in Current Assets and Current Liabilities—				
Amount due from companies on reinsurance accounts	(1,721,440)		(1,776,408)	
Deposits retained by companies on reinsurance accounts	(10,267,173)		(7,238,063)	
Sundry debtors, accrued interest and prepayments	(276,370)		277,259	
Amount due to companies on reinsurance accounts	2,487,065		545,870	
Deposits due to companies on reinsurance accounts	5,583,103		1,944,222	
Other Creditors, accruals, and provisions	412,986		247,446	
		(3,781,829)		(5,999,674)
		274,590		1,116,876
Represented by—				
Movement in Investment and Net Liquid Funds				
Investments		889,892		835,011
Cash and bank balances		(615,302)		281,865
		US $274,590		US $1,116,876

The notes on pages 23 to 28 form an integral part of these accounts

NOTES ON THE ACCOUNTS

1. Accounting Policies

The following is a summary of the significant accounting policies adopted in the preparation of these accounts:—

(a) Fixed Assets

Fixed Assets are stated at cost less cumulative depreciation.

(b) Depreciation

Depreciation is calculated to write off the cost of fixed assets over the estimated useful life in equal annual instalments on the following basis:—

	Annual Rates
Furniture, Fittings and Equipment	Between 12½% and 33⅓%
Motor Vehicles	25%

(c) Currency Translations and Conversions

(i) The Corporation keeps its accounts in United States Dollars. Assets and liabilities in currencies other than the United States Dollar are converted at rates of exchange ruling at 31st December, 1980;

(ii) Revenue items originating in currencies other than the United States Dollar are translated at rates of exchange prevailing at the beginning of each quarter of the year;

(iii) Exchange differences are taken to the Profit and Loss Account.

(d) Investments

Investments are stated at cost.

(e) Underwriting Revenue Accounts and Reinsurance Funds

All underwriting accounts are maintained on underwriting year basis and the accounts are kept open for three years during which all funds are carried forward. Credit is taken in the accounts each year only for accounts received by the end of the accounting year. At the end of the third year of each underwriting year when the underwriting accounts are closed, the adequacy of the funds is considered by reference to the claims to be made therefrom and transfers to or from the Profit and Loss Account are made accordingly.

(f) Debtors

Debtors are stated after deducting provision made for specific debts considered doubtful of recovery.

(g) Reserve Fund

This is made up of reserves set aside from closed underwriting years' accounts to meet possible future losses arising in respect of those years. The reserve fund for each underwriting year is maintained for two years during which all losses arising are charged thereto. At the end of the second year, the balance on the reserve fund for that underwriting year is transferred to the General Reserve.

2. Life Assurance

These are included only to the extent of the accounts received up to the time of preparation of the Corporation's accounts. No actuarial valuation was carried out as at 31st December, 1981.

3. Fixed Assets

The figure of US $233,537 appearing in the accounts is made up as follows:—

	Land and Building	Furniture, Fittings and Equipment	Motor Vehicles	Total
	US $	US $	US $	US $
Cost at 1st January, 1981	6,313	403,755	120,077	530,145
Additions during the year	—	60,160	19,325	79,485
Disposal	—	(34,953)	(17,280)	(52,233)
	6,313	428,962	122,122	557,397
Accumulated depreciation at 1st January, 1981	—	181,043	59,005	240,048
Charges for the period	—	89,117	30,530	119,647
Disposal	—	(23,233)	(12,602)	(35,835)
Depreciation at 31st December, 1981	—	246,927	76,933	323,860
Net book value at 31st December, 1981	US $6,313	US $182,035	US $45,189	US $233,537
Net book value at 31st December, 1980	US $ 6,313	US $222,712	US $61,072	US $290,097

4. Investments

The Investments totalling US $3,792,116 (1980 — US $2,902,224) are in time deposits.

5. Amount due from Companies on Reinsurance Accounts

The balance of US $7,758,307 relates to balances due to the Corporation on current accounts, the breakdown being as follows:—

	1981	1980
	US $	US $
North Africa	836,607	977,299
East Africa	1,577,780	1,289,970
Central Africa	1,002,371	699,784
West Africa	3,985,481	2,830,116
Worldwide	314,328	239,698
Retrocessionaires	41,740	—
Total	US $7,758,307	US $6,036,867

6. Deposits retained by Companies on Reinsurance Accounts

These are amounts retained by companies under the terms of their treaties and comprise deposits of written premiums as well as premium and loss portfolios. The total of US $23,489,862 (1980 US$ 13,222,689) is arrived at as follows:—

	1981	1980
	US $	US $
North Africa	10,789,153	5,984,023
East Africa	1,554,492	1,042,606
Central Africa	7,382,043	4,212,966
West Africa	2,322,638	1,449,515
Worldwide	1,471,506	533,579
Total	US $23,489,862	US $13,222,689

7. Sundry Debtors, Accrued Interest and Prepayments

The sum of US $515,030 (1980 US $238,660) is made up as follows:—

	1981 US $	1980 US $
Sub-Regional Office	—	128,000
Accrued Interest	160,616	—
Staff Debtors	156,434	57,151
Other Debtors & Prepayments	197,980	53,509
Total	US $515,030	US $238,660

8. Bank and Cash Balances

This is made up as follows:—

	1981 US $	1980 US $
Cash at Bank	1,409,628	1,778,536
Cash in Hand	5,438	1,832
Cash in Transit	—	250,000
Total	US $1,415,066	US $2,030,368

9. Amounts due to Companies on Reinsurance Accounts

This is made up of balances due to companies as detailed below:—

	1981 US $	1980 US $
North Africa	1,124,592	518,374
West Africa	2,934,377	1,545,072
Central Africa	981,044	583,942
East Africa	634,054	439,596
Worldwide	423,539	214,162
Retrocessionaires	671,875	981,270
Total	US $6,769,481	US $4,282,416

10. Deposits due to Retrocessionaires

This is made up of deposits due to other companies as detailed below:—

	1981 US $	1980 US $
East Africa	176,098	—
Central Africa	74,033	—
West Africa	371,808	—
Worldwide	91,294	—
Retrocessionaires	8,925,044	4,055,174
Total	US $9,638,277	US $4,055,174

11. Other Creditors, Accruals and Provisions

The sum of US $1,008,069 (1980 US $595,083) is made up as follows:—

	1981 US $	1980 US $
Other Creditors and Provisions	976,833	557,788
Accrued Expenses	31,236	37,295
Total	US $1,008,069	US $595,083

12. Capital Stock

The authorised capital of the Corporation is US $15,000,000. Of this amount, US $10,000,000 is available for initial subscription. Fifty per cent of the subscribed capital is subject to call and payable upon subscription. The remaining fifty per cent of the subscribed capital of the Corporation shall be subject to call only as and when required by the Corporation to meet its obligations which cannot otherwise be met.

The figure of US $4,610,000 appearing on the balance sheet at 31st December, 1981 is made up as follows:—

	1981 US $	1980 US $
Capital available for subscription	10,000,000	10,000,000
Unsubscribed capital	680,000	680,000
	9,320,000	9,320,000
Deduct: Uncalled capital	4,660,000	4,660,000
Called up capital	4,660,000	4,660,000
Deduct: Subscription outstanding	50,000	50,000
	US $4,610,000	US $4,610,000

13. General Reserve and Retained Earnings

This is made up as follows:—

	1981 US $	1980 US $
Balance on General Reserve Account	561,596	—
Balance on Profit and Loss Account	285,993	561,596
	US $847,589	US $561,596

14. Reserve Fund

The balance of US $5,251,200 at 31st December, 1981 (1980 US $2,566,763) is arrived at as follows:—

	1981 US $	1980 US $
Balance at 1st January, 1981 for Underwriting Year 1978	2,566,763	—
Deduct: Net Loss of Underwriting Year 1978 Account	421,963	—
	2,144,800	—
Add: Reserve for Underwriting Year 1979/1978	3,106,400	2,566,763
Balance at 31st December 1981	$5,251,200	US $2,566,763

15. Underwriting Year 1979 Account for the Three Years Ended 31st December, 1981 (Closed)

The revenue account for the 1979 Underwriting Year in the three accounting years ended 31st December, 1981 is as shown below:—

	Fire and Accident US $	Marine and Aviation US $	Life US $	Total US $
Gross Premiums	17,067,174	11,772,147	394,905	29,234,226
Less: Retrocession premiums	6,348,570	2,662,657	—	9,011,227
	10,718,604	9,109,490	394,905	20,222,999

Claims	3,321,196	2,040,517	170,181	6,531,894
Commissions	3,401,687	2,882,717	101,081	6,385,485
Excess of Loss Premiums	210,000	150,000	—	360,000
Other charges	99,590	91,627	912	192,129
Management expenses	1,077,809	538,904	16,330	1,633,043
	8,110,282	6,703,765	288,504	15,102,551
	2,608,322	2,405,725	106,401	5,120,448
Reserve for future claims carried forward at 31.12.81	(1,200,000)	(1,800,000)	(106,401)	(3,106,401)
Transferred to Profit and Loss Account	US $1,408,322	605,725	—	2,014,047

16. Claims

The figure for claims is made up of:—

	Fire and Accident US $	Marine and Aviation US $	Life US $	Total US $
Gross claims paid	6,177,653	5,062,307	302,871	11,542,831
Less: Recoveries	1,615,914	1,065,764	—	2,681,678
	US $4,561,739	3,996,543	302,871	8,861,153

17. Commissions

Commissions are arrived at as follows:—

	Fire and Accident US $	Marine and Aviation US $	Life US $	Total US $
Commissions paid	6,468,350	5,087,218	135,420	11,690,988
Less: Commissions received	2,254,708	1,304,671	—	3,559,379
	US $4,213,642	3,782,547	135,420	8,131,609

18. Charges

The figure for charges is made up as follows:—

	Fire and Accident US $	Marine and Aviation US $	Life US $	Total US $
Gross expenses paid	116,724	305,931	1,254	423,909
Less: Recoveries	2,831	78,730	—	81,561
	US $113,893	227,201	1,254	342,348

19. Management Expenses

Management expenses have been apportioned to the Revenue Accounts on a premium basis.

20. Revenue Accounts and Reinsurance Funds

As all accounts and details of outstanding losses have not been received for the 1980 and 1981 "open" Underwriting Years as on 31st December, 1981, the figures accounted for in these "open years" are treated on a funded basis and are being carried forward to the next financial year when it would be possible to show the results of the next "closed" year (1980) after the adequacy of the funds is considered with particular reference to the claims to be met therefrom.

The revenue accounts reflect underwriting income and outgo for all accounts received as on 31st December, 1981 for "closed" as well as the "open" underwriting years.

Statement of Subscriptions at 31st December, 1981

(expressed in US Dollars)

Annex I

Authorised Capital Stock US $15,000,000

Members	Capital Available for Subscriptions No. of Shares	Amount	Amount Unsubscribed	Amount Subscribed	Called Portion (50%) Subscribed	Amount Paid	Amount outstanding
1. Algeria	60	600,000	—	600,000	300,000	300,000	—
2. Benin	10	100,000	—	100,000	50,000	50,000	—
3. Burundi	10	100,000	—	100,000	50,000	50,000	—
4. Cameroon	30	300,000	—	300,000	150,000	150,000	—
5. Central African Republic	10	100,000	—	100,000	50,000	50,000	—
6. Chad	12	120,000	—	120,000	60,000	60,000	—
7. Congo	13	130,000	—	130,000	65,000	65,000	—
8. Egypt	60	600,000	—	600,000	300,000	300,000	—
9. Ethiopia	28	280,000	—	280,000	140,000	140,000	—
10. Gabon	16	160,000	—	160,000	80,000	80,000	—
11. Gambia	10	100,000	—	100,000	50,000	50,000	—
12. Ghana	33	330,000	—	330,000	165,000	165,000	—
13. Guinea	10	100,000	—	100,000	50,000	50,000	—
14. Guinea Bissau	10	100,000	—	100,000	50,000	50,000	—
15. Ivory Coast	25	250,000	—	250,000	125,000	125,000	—
16. Kenya	26	260,000	—	260,000	130,000	130,000	—
17. Liberia	10	100,000	—	100,000	50,000	—	50,000
18. Libya	60	600,000	—	600,000	300,000	300,000	—
19. Mali	10	100,000	—	100,000	50,000	50,000	—
20. Mauritius	14	140,000	—	140,000	70,000	70,000	—
21. Mauritania	12	120,000	—	120,000	60,000	60,000	—
22. Morocco	60	600,000	—	600,000	300,000	300,000	—
23. Niger	10	100,000	—	100,000	50,000	50,000	—
24. Nigeria	60	600,000	—	600,000	300,000	300,000	—
25. Senegal	21	210,000	—	210,000	105,000	105,000	—
26. Sierra Leone	13	130,000	—	130,000	65,000	65,000	—
27. Somalia	12	120,000	—	120,000	60,000	60,000	—
28. Sudan	30	300,000	—	300,000	150,000	150,000	—
29. Swaziland	11	110,000	—	110,000	55,000	55,000	—
30. Tanzania	24	240,000	—	240,000	120,000	120,000	—
31. Togo	11	110,000	—	110,000	55,000	55,000	—
32. Tunisia	25	250,000	—	250,000	125,000	125,000	—
33. Uganda	22	220,000	—	220,000	110,000	110,000	—
34. Upper Volta	11	110,000	—	110,000	55,000	55,000	—
35. Zaïre	19	190,000	—	190,000	95,000	95,000	—
36. Zambia	34	340,000	—	340,000	170,000	170,000	—
37. African Development Bank	100	1,000,000	—	1,000,000	500,000	500,000	—
Total	932	9,320,000	—	9,320,000	4,660,000	4,610,000	50,000

Members of the Organisation of African Unity to whom allocations have been made but yet to be taken up by them:—

1. Botswana	10	100,000	100,000	—	—	—	—
2. Equatorial Guinea	10	100,000	100,000	—	—	—	—
3. Lesotho	10	100,000	100,000	—	—	—	—
4. Madagascar	18	180,000	180,000	—	—	—	—
5. Malawi	10	100,000	100,000	—	—	—	—
6. Rwanda	10	100,000	100,000	—	—	—	—
	68	680,000	680,000	—	—	—	—
Total US$	1,000	10,000,000	680,000	9,320,000	4,660,000	4,610,000	50,000

Annex II

VOTING POWERS OF MEMBERS AS AT 31st DECEMBER, 1981

Member	Capital in US $ Thousand		Voting power %
	Called	Paid in	
Algeria	300	300	6.50
Benin	50	50	1.09
Burundi	50	50	1.09
Cameroun	150	150	3.25
Central African Republic	50	50	1.09
Chad	60	60	1.30
Congo	65	65	1.41
Egypt	300	300	6.50
Ethiopia	140	140	3.04
Gabon	80	80	1.74
Gambia	50	50	1.09
Ghana	165	165	3.58
Guinea	50	50	1.09
Guinea Bissau	50	50	1.09
Ivory Coast	125	125	2.71
Kenya	130	130	2.82
Liberia	50	Nil	Nil
Libya	300	300	6.50
Mali	50	50	1.09
Mauritania	60	60	1.30
Mauritius	70	70	1.52
Morocco	300	300	6.50
Niger	50	50	1.09
Nigeria	300	300	6.50
Senegal	105	105	2.28
Sierra Leone	65	65	1.41
Somalia	60	60	1.30
Sudan	150	150	3.25
Swaziland	55	55	1.19
Tanzania	120	120	2.61
Togo	55	55	1.19
Tunisia	125	125	2.71
Uganda	110	110	2.39
Upper Volta	55	55	1.19
Zaïre	95	95	2.06
Zambia	170	170	3.69
ADB	500	500	10.84
Total	4,660	4,610	100.00