



AFRICAN REINSURANCE CORPORATION
GENERAL ASSEMBLY
12TH ANNUAL ORDINARY MEETING
FREETOWN, SIERRA LEONE, 21ST-22ND JUNE, 1990

AFRICARE/GA/14/83

**Report of the Board of Directors
covering the period
1st January to 31st December, 1989**



AFRICAN REINSURANCE CORPORATION SOCIETE AFRICAINE DE REASSURANCE

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Date: 21st June, 1990

Honourable Representatives
General Assembly
African Reinsurance Corporation

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, 1989, as well as the Summary of the Administrative Budget for the financial year 1990.

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

EZZAT ABDEL BARY
Chairman of the Board of Directors
and General Assembly



COMPOSITION OF AFRICA RE BOARD OF DIRECTORS

Chairman	Alternate Directors
Ezzat M. ABDEL BARY (Egypt)	Jada LOREERE (Sudan)
Vice-Chairman	
Eugene OKWOR (Nigeria)	P. KPODO (Ghana)
Directors	
K. SHERLALA (Libya)	H. OUAZZANI (Morocco)
F.F. MAGEZI (Uganda)	J. RUBAMBE (Tanzania)
M. MWINGA (Zambia)	P.J. BLACKBURN (Mauritius)
AYI A. AMAVI (Togo)	MISS M. DIOUF (Senegal)
R. IBATA (Congo)	N.N. KADADI (Chad)
M. FATMI (Algeria)	E.M. EL BEIDAWI (Mauritania)
I.B.C. JOHN (ADB)	E.K.M. SANVEE (ADB)



COMPOSITION OF AFRICA RE MANAGEMENT

Eyessus W. ZAFU
General Manager and Chief Executive

Ahmed E.A. ELSANUSI
Deputy General Manager

Bakary KAMARA
Secretary General



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Foreword

The 12th Annual Report of the Board of Directors and Accounts for the Financial Year ended 31st December, 1989 comprises the final results for underwriting year 1987 (closed for the first time after being left open for three consecutive years), all previously closed years (1978 to 1986) and the results for the still open years of 1988 and 1989. Included in the Report are also comments on the Corporation's Trading Environment, its performance during the Financial Year, the Report of the External Auditors on the Accounts, Resolutions adopted by the 11th Annual Ordinary Meeting and a Summary of the 1990 Administrative Budget as approved by the Board of Directors.

At the close of business for the Financial Year 1989, a net profit of US\$2,892,481 was realized. Underwriting profits of US\$1,012,309 and incomes from investments and other sources which amounted to US\$2,265,814 were marginally augmented by realized currency translation gains of US\$111,408 to produce a gross profit of US\$3,389,531. The net profit for the year was obtained after deducting US\$497,050 which represented the sum of all other expenses not charged to the Underwriting Revenue Account.

The year under report also recorded unrealized exchange gains of US\$1,370,531 which were taken to the Balance Sheet in accordance with International Accounting Standard No. 21 (IAS 21) "Accounting for the Effects of Changes in Foreign Exchange Rates."

The net profits achieved and the unrealized currency translation gains for the year had the combined effect of raising the Corporation's Shareholders' Funds by a comfortable US\$4,404,252 to an all time high of US\$15,529,902.

Financial Year 1989 recorded a gross premium income of US\$32,315,222 out of which a total of US\$3,721,406, including the cost of the Corporation's own excess of loss protections, were retroceded. Of the retroceded premiums 85.1% went to African companies.

Total Management Expenses for the year which amounted to US\$2,875,803 were charged to the Underwriting Revenue Account. The corresponding amount for 1988 was US\$2,676,953.

In 1989, the Corporation recorded commendable achievements overall. Although underwriting profit was markedly down, 25.4% below that of 1988, income from investments and other sources (excluding interest on reinsurance deposits) was a comfortable 28.2% over that of the previous year. For the first time since 1985, when it adopted measures to restructure its portfolio and against a trading environment characterized, among other things, by contracting premiums in several markets, Africa Re succeeded to reverse the trend of falling premium income by registering a modest increase of 3.2% over 1988. Were it not for the fall of several

of its income currencies against its accounting currency, the United States Dollar, its premium increase would have been well over 10%.

Its net retention as a proportion of its gross premium income showed a marginal fall from 88.8% in 1988 to 88.5% in 1989. During the same period, its retrocessions to African companies rose by 16.15% from US\$2,732,394 in 1988 to US\$3,166,824 in 1989.

For reasons reported upon last year in greater detail, the Corporation's retrocessions are expected to grow faster than its own gross premium income as more and more of the voluntary cessions acquired would tend to fall beyond its retention capacity, which, in turn, will progressively reduce the proportion of its retained income. The trend was amply obviated by the rise of the retained portion of its gross income within the continent. Africa Re and its African retrocessionaires retained 98.3% of its 1989 gross premiums while the corresponding proportion for 1988 was 97.5%. This trend, combined with the yet unequalled profitability record (average net surplus of 36.78% for the last 5 years) of its current retrocession programme (AUTOFAC), has attracted more and more companies in recent years. Indeed, this programme represents a role model for a commercially profitable and administratively simple cooperation mechanism whose full potentials are yet to be understood by more African companies.

During the year, the Republic of Seychelles completed all formalities of adhesion to the Corporation to become the 39th Member State and the 40th Shareholder. The event increased the paid-up capital of Africa Re to US\$9,700,000 and enhanced its opportunities for increased interactions with its sister company, the State Assurance Corporation of Seychelles. In this regard, the prospect of more States, Members of the Organization of African Unity, adhering to Africa Re in the near future, has been heightened by the Corporation's increasingly satisfying achievement both as a credible professional reinsurer and as a viable commercial enterprise. The imminent independence of Namibia early in 1990 further enhances that prospect.

The 11th Annual Ordinary Meeting of shareholders established a Special Committee of Six charging it with the assignment of exploring and reporting back on all options that would enable Africa Re to utilize its full underwriting capacity. The Committee's findings and recommendations may also decisively influence the tempo and direction of the Corporation's future development.

Further efforts were made in 1989 to deepen the Corporation's interactions with ceding companies and insurance supervisory authorities in the continent. To this end, appreciably more and closer personal contacts were made by Africa Re's underwriters and Senior Management Staff.

The Second Africa Re/AIO one-week Reinsurance seminar was conducted in Casablanca, Morocco in September in close



collaboration with Société Centrale de Réassurance of Morocco. It was attended by 36 participants from markets in French-speaking Africa. Plans are already under way for the organization of the 3rd such seminar in September, 1990 in Nairobi.

For a Corporation with modest means, the initiation and continued implementation of the one-week Annual Reinsurance Seminar served as a modest expression of its desire to complement the security it offers with support services. Progressively increasing interactions with ceding companies and the more clearly evolving role of reinsurance not just as security alone but also as a service industry, clearly indicate the strong need for quickly developing capabilities of technical support services. Variety and levels of sophistication of such support services on the one hand, and the resource availabilities (human and material) on the other hand, demand that the Corporation approaches the issue pragmatically. Preliminary fact-finding surveys started during 1989 shall be pursued during 1990 to determine the need-expertise balance and priorities for a significant investment in this area.

The Corporation's integrated reinsurance computer programme was readied during the year such that 1990 transactions could be recorded and processed by in-house on-line capability at Headquarters while intermediate data inputs from the Regional Offices will continue to be consolidated by the new system. In line with the computerization policy of the Corporation and as a logical sequel to development efforts so far, adaptation of the integrated system to the level of the Regional Offices will be the focus for 1990.

Experience so far gained in implementing the programme at Headquarters has confirmed the wisdom and validity of the incremental approach. It further suggests that equipping the Regional Offices with adequate data processing capabilities will be relatively simpler and inexpensive compared to the benefits that would accrue in the form of faster response to customer needs and availability of more organized, relevant data for better-informed decisions.

The Board of Directors, on behalf of Shareholders, Management and Staff of the Corporation and on its own behalf, wishes to express once again, deep gratitude to all Member States hosting the Corporation's Headquarters and its three Regional Offices which provided in 1989, as in previous years, both the moral support and material facilities required for its continued progress.

The Board's deep appreciation is extended to all Members and prospective Member States for their strong support and practical enabling measures which facilitate the Corporation's smooth operations in their respective markets. Such expressions of appreciation cannot be complete without the Corporation's sincere thanks to all the ceding companies whose unflinching co-operation and support made possible the achievements of Africa Re. Considerable appreciation is also due to the Management and Staff of the Corporation whose hard work and complete dedication continue to produce progressively more and better results. The Board encourages them not to relent in their pursuit of still greater achievements.



Trading Environment

Deriving almost its entire premium income from Africa (99.30% in 1989), the African Reinsurance Corporation's performance is contingent upon that of the African insurance markets as a whole.

The harsh economic conditions of recent years changed little in 1989. If anything, the crisis deepened further—a phenomenon of extraordinary challenge to the economic theoreticians and practitioners alike. Practically all recent studies speak of a continent of which the people are as poor today as they were 30 years ago. Explanations range from exogenous determinants such as structural distortions inherited at independence, ideology-based choices of development models, falling commodity prices, heavy debt burden, natural disasters etc, to endogenous factors such as lack of meaningful cooperation, high population growth rate, mal-functioning of social structures, disinvestment by foreign companies, etc.

Solutions offered so far have tended to be ideologically skewed and strongly prescriptive, not addressing the objective realities and specificities of the different countries in the continent. The strongly advocated though hesitantly applied macro-economic stabilization and structural adjustment programmes are yet to yield tangible positive results while their short-term impact tends to have a destabilizing effect, sometimes threatening the very fabric of society with the more vulnerable strata being affected the most.

Africa's reaction to the external, single solution approach of privatization, advocates a series of far reaching policy reforms which include greater limits on debt service payments, multiple exchange rates, selective subsidies and price controls, reduced defence spending etc..., all within a conducive environment for fusing of private initiative with public concern for regulation and supervision.

While the debate over appropriate policy choice goes on, Africa's needs for investible resources continue to grow. In the meantime events in Eastern Europe have intensified the competition for such resources, which are not unlimited. These events and the on-going realignment of world trade blocs are increasingly engaging the focus and resources of the Western developed countries, a trend likely to continue in the foreseeable future.

Africa's most significant lesson in 1989 may therefore be the recognition that, to a large measure, the cures for its economic ills and the insurance against its marginalization lie within, and its best answer to Europe 1992, the events in Eastern Europe and the emergence of other trade blocs is further cooperation and collaboration among the Member countries. Indeed more has been said in 1989 about the promotion of Africa's intra-trade than in previous years.

1989 saw some degree of stabilization in Africa's agricultural production but as in 1988, the small gains recorded by the sector were overshadowed by high population growth. What are traditionally considered fast-growth sectors, industry and

services, did not register any marked growth. Indeed, the industrial sector in some countries slowed down due to a shortage of the much needed foreign exchange for maintenance and replacement, exacerbated by a process of foreign disinvestment.

During 1989, the insurance sub-sector, estimated to account for about 1% of GNP in African countries as against 2% to 5% for developed countries, continued with its lack-lustre performance. Most notably, insurance markets in the majority of French speaking West and Central African countries experienced yet another year of severe premium contraction and deteriorating liquidity. While a few companies may hardly recover, many have had to adopt austerity measures including portfolio restructuring, increased retention and shifting from proportional to largely non-proportional reinsurance programmes. The vulnerability of some indigenous companies, including State owned enterprises, continued to encourage their acquisition by foreign interests, a development seen not only as creating unfair competition for the former but also a threat to the emergence of strong and independent national markets.

Although many African insurance and reinsurance companies had been hesitant to engage in promoting vigorous intra-African insurance trade, recent developments, including impending marginalization, may yet provide the most powerful motivation for enhanced business relations. Whilst the Africa Re Retro Programme (AUTOFAC) offers the simplest and most profitable medium for such exchange, the African Aviation and Oil & Energy Pools, both regional projects managed by Africa Re, represent the nuclei for increased interactions and exchange.

The assessment of Africa's integration experience by the African Development Bank, the Economic Commission for Africa and the World Bank has been from barely satisfactory to failure, for several reasons including lack of specificity and focus as well as supportive environment. The continent's recognition of these shortcomings could prompt a reassessment of existing integration mechanisms, including Africa Re. The Corporation's modest progress so far and the promises it holds for further achievements in the future could possibly prompt African States to adopt some enabling measures (facilities of convertible accounts, appropriate investment avenues etc.)

The addition to the membership of the OAU, with Namibia becoming an independent State in March 1990, will open up for Africa Re an important new market and a potential shareholder.

The political process presently under way in South Africa is another development Africa Re will be watching closely. Although still far, a multi-racial and democratic South Africa someday becoming a member of the OAU has always been a possibility. When that happens, Africa Re's market potential will easily double—a prospect for which it must prepare well in advance.



Operations

As in previous years, businesses written by the Corporation were classified under 3 Branches—Fire & Accident (including Engineering), Marine & Aviation and Life—while the trading areas into which the African markets were grouped—West Africa (English-speaking), Central Africa (French-speaking West and Central Africa and the Lusophone countries), North Africa and East and Southern Africa—remained unchanged. Acceptances from outside Africa and/or the run-off of accounts of such acceptances continued to be classified as International Inward (world-wide) business.

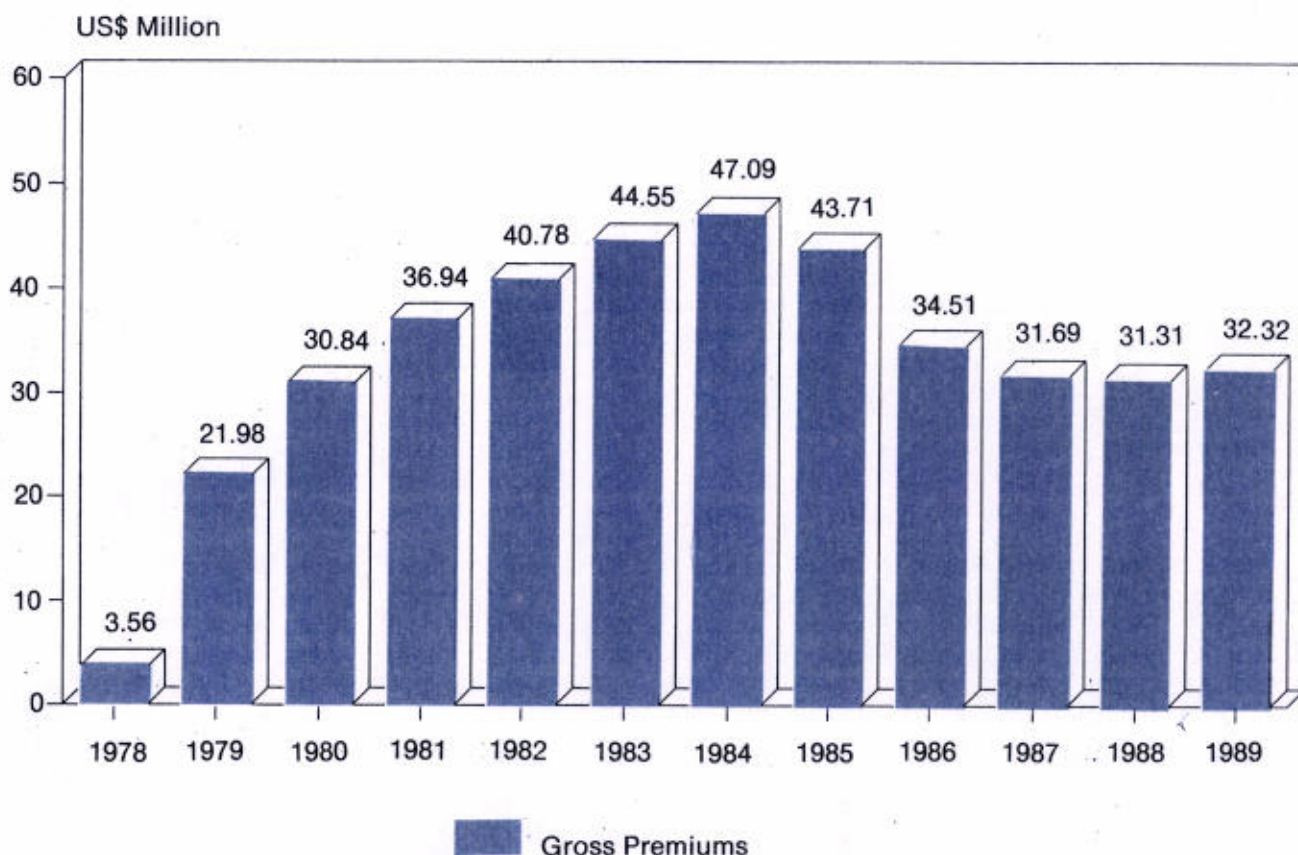
Businesses written from English speaking West Africa and International Inward acceptances, the Corporation's Autofac Programme as well as the African Aviation and the African Oil and Energy Insurance Pools are managed from the Headquarters in Lagos, Nigeria. The 3 Regional Offices in Casablanca (Morocco), Nairobi (Kenya) and Abidjan (Côte d'Ivoire) administer businesses emanating from their respective sub-regions.

INCOME

During financial year 1989, the Corporation wrote a Gross Premium Income (after portfolio adjustment) of US\$32.32m. This was 3.2% higher than the corresponding income for 1988 and represented the first income growth since Africa Re started in 1985 to restructure its income portfolio. Marginal though the increase is, the development is considered satisfactory compared to the continued income currency fluctuations and significant premium contractions many African insurance markets experienced during the year. Almost all the increase was accounted for by business from Africa which rose from US\$30.96m in 1988 to US\$31.94m in 1989.

The fall of most income currencies during the year against the US dollar had the effect of depressing the financial year's premium income. In 1989 as in 1988 the trend was exacerbated by severe premium contractions (between 15% & 25%) experienced especially by most markets in French-speaking West and Central Africa, although the effect of the latter was partially mitigated by a slight strengthening (4.7%) of the CFA against the US dollar at the end of 1989. The combined net effect of both exchange rate fluctuations and premium contractions during the year depressed the Corporation's Gross Premium Income by US\$3.9m.

EVOLUTION OF GROSS PREMIUM INCOME
BY FINANCIAL YEAR





Satisfactory growth of income from voluntary cessions (over and above the 5% legal cessions) was recorded in 1989. The relative shares of such voluntary cessions to corporate income increased progressively from about 5% in 1985 to 26% in 1988 and 32.2% in 1989. This encouraging trend was brought about partly by the Corporation's sustained marketing drive and partly by the progressively improving support it received from African insurance and reinsurance companies.

Encouraging as this development may be, the Corporation's premium income growth is considered slow compared to the relatively faster growth in its financial strength, leaving considerable underwriting capacity not effectively and fully utilised.

GEOGRAPHICAL DISTRIBUTION

For the second year running, the East & Southern Africa sub-region produced the highest premium income of US\$10.66m in 1989. This income was 11.7% more than that of 1988 and comprised 33% of the Corporation's total premium income for the year. Only 40% of the premium was derived from legal cessions while the balance of 60% came from voluntary cessions.

The North Africa sub-region, with a recorded premium income of US\$9.86m, which itself was 6.8% over that of 1988, produced the second highest premium income accounting for 30.5% of total premium. Efforts to develop voluntary cessions

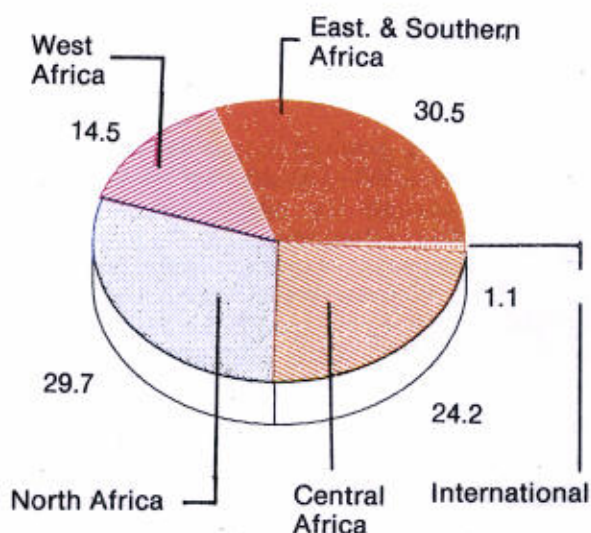
from the sub-region were yet to yield meaningful results as 96.6% of the income in 1989 was obtained from the 5% legal cessions. Incomes from both sub-regions were significantly affected by currency fluctuations during the year as without fluctuations the respective premiums for East & Southern Africa and North Africa would have been US\$12.1m and US\$10.7m respectively.

French speaking West and Central Africa recorded a premium income of US\$6.92m which was 8.7% below that of 1988. The sub-region's relative share in the Corporation's total income stood at 21.4% against a corresponding proportion of 24.2% in 1988. This sub-region would have recorded an even lower premium income were it not for the relative strengthening (by 4.7%) of the FCFA against the United States Dollar as at 31st December, 1989 compared to the rate of exchange as at 31st December, 1988. Many companies in the sub-region experienced severe premium contractions ranging between 15% and 25% during the 1989 financial year. The proportion of income from voluntary cessions in the sub-region reached 26% as against 32.2% for the Corporation.

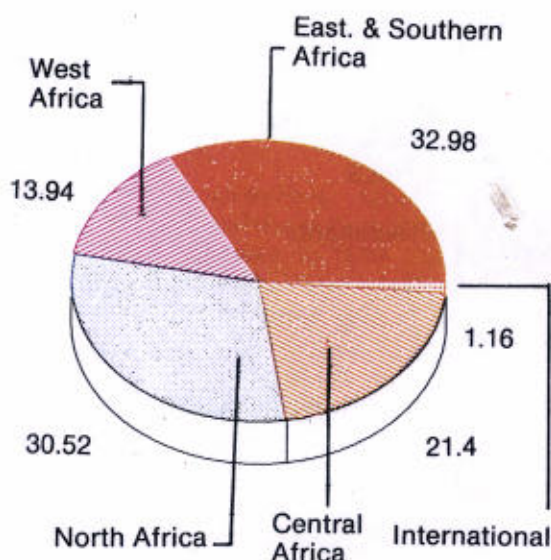
Income from English-speaking West Africa in 1989 amounted to US\$4.5m or 1.3% below that of 1988. Once again, if it were not for the significant fall of the Nigerian Naira against the United States Dollar, this sub-region would have produced no less than US\$6.0m. Its relative share of total income in 1989 fell to 13.9% from its share of 14.5% in 1988. Income from voluntary cessions in the sub-region reached 38.5%.

DISTRIBUTION OF GROSS PREMIUM INCOME BY TRADING AREA

FINANCIAL YEAR 1988



FINANCIAL YEAR 1989





Income from International Inward business in 1989 stood at US\$0.38m. Though this amount was 8.6% above that of 1988 its relative contribution to the overall premium income was a negligible 1.2%.

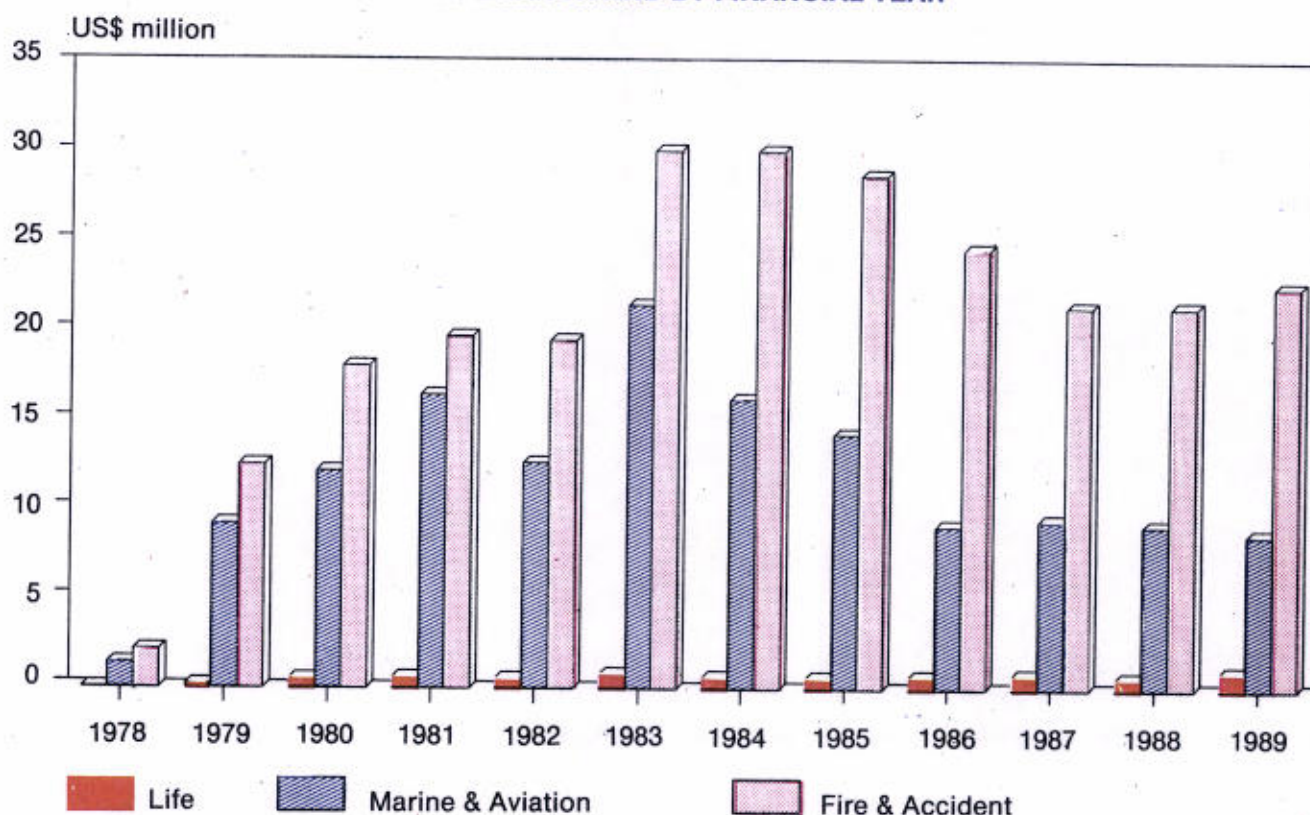
SECTORAL DISTRIBUTION

The Fire & Accident Branch, with a recorded premium income of 22.64m in 1989 which was 5.35% above that of 1988, increased its preponderance in the Corporation's portfolio. Against a relative share of 68.6% in 1988, it accounted for 70.1% of corporate income in 1989.

With the actual premium of US\$8.6m, the Marine & Aviation Branch represented 26.9% of the Corporation's income in 1989 compared to a similar share of 29.3% in 1988. Income from this branch recorded a fall of 5.45% in 1989 from its level in the previous year.

Income from the Life Branch, though rather small to have any significant influence on the overall premium, nevertheless recorded a dramatic growth of 52.3% over that of 1988. Its relative contribution to corporate income in 1989 rose to 3.06% from its share of only 2.08% in 1988.

DEVELOPMENT OF GROSS PREMIUM INCOME BY BRANCH AND BY FINANCIAL YEAR



OTHER INCOMES

Long Term Investments

The Corporation did not undertake any long term investments during 1989. Its participation in the equity of the Company for Habitat and Housing in Africa (Shelter Afrique) remained its only long term investment portfolio. While no income was received from that investment during the year, Shelter Afrique's equity as at 31st December, 1989 and Africa Re's investment therein remained undiminished.

Income from Short Term Investments and other Sources

The Corporation's income from short term investments and other sources in 1989 amounted

to US\$2,377,222 against a similar income of US\$1,300,781 in 1988. The amount was made up of interest earned on short term deposits (US\$1,318,103), disposal of fixed assets (US\$5,546), fees from management of pools (US\$30,990), interest on reinsurance deposits (US\$911,175) and a realised currency translation gain of (US\$111,408). Investment income excluding interest on reinsurance deposits and realised exchange gain which amounted to US\$1,354,639 in 1989 exceeded the corresponding amount for 1988 by 39.7%. This was largely due to an increase in invested funds and partly due to better coordinated and improved monitoring of corporate investments.

During the financial year, the Corporation recorded an unrealised exchange gain of US\$2,205,699 compared to an unrealised exchange



loss of US\$4,927,350 in 1988. In accordance with the Corporation's accounting policy this exchange gain was taken to the Balance Sheet.

OUTGO

Losses

Financial year 1989 witnessed a serious deterioration in loss experience in practically all branches and in 4 out of the 5 income centres. Against a Gross Premium Income of US\$32.32m, there was recorded a gross loss of US\$17.04m resulting in a Corporate Gross Loss Ratio of 52.7%. This ratio was over 10 percentage points above that of 1988. Even though losses in 1989 were rather high generally, the overall Corporate ratio was markedly influenced upwards by the dramatic worsening of losses emanating from the run-off of international inward business. While the Corporation's African portfolio alone registered a loss ratio of 47.9%, International Inward had a similar ratio of 460.5%.

The highest overall Gross Loss Ratio of 67.6%

was recorded by the French-speaking West & Central Africa sub-region. In 1988 this same sub-region had recorded the highest Gross Loss Ratio of 52.5% against a corporate average of 42%. Predictably, the most severe deterioration in claims experience was recorded in the Fire & Accident Branch within which the Motor class was included, a class of business in which awards to accident victims in recent years in the sub-region have been known to be very high. This was confirmed by the Gross Loss Ratio of 73.1% the sub-region experienced in the Fire & Accident Branch where the average Loss Ratio excluding International Inward business was 46.6%.

The second highest Gross Loss Ratio of 55.9% for regional (African) business occurred in the North Africa sub-region. Investigation of data revealed that for this sub-region the worsening of loss experience was most serious for the Marine & Aviation Branch which recorded a Gross Loss Ratio of 68.5% against the corporate average for regional business of 50.6%.

Both of the above sub-regions produced negative overall results during financial year 1989.

GROSS LOSS RATIO BY BRANCH FINANCIAL YEAR 1989

(IN US\$ MILLION)

LOSS RATIO BRANCH	Regional Business			International Inward			Total Corporate			1988
	Loss	Prem.	LR%	Loss	Prem.	LR%	Loss	Prem.	LR%	LR%
FIRE & ACCIDENT	10.40	22.31	46.62	1.64	0.33	496.97	12.04	22.64	53.18	41.30
MARINE & AVIATION	4.37	8.63	50.64	0.11	0.05	220.00	4.48	8.68	51.61	43.80
LIFE	0.52	0.99	52.32	—	—	—	0.52	0.99	52.53	40.00
TOTAL	15.29	31.93	47.89	1.75	0.38	460.53	17.04	32.31	52.74	42.00

Although loss ratios in every Branch rose significantly in 1989 from their levels in 1988 in the East & Southern Africa sub-region, its overall average of 40% was considerably lower than the Corporate average of 52.7%. Though relatively small in absolute terms and hence did not affect seriously the overall profitability of the sub-region's portfolio, the Life Branch experienced a significant deterioration in claims during 1989. Against a ratio of 39.7% in 1988 the Branch had a ratio of 50.0% in 1989. The Fire & Accident Branch registered a ratio of 39.5% while that of Marine & Aviation had 40.7% against the previous year's ratios of 33.3% and 27.3% respectively. In both of these latter two Branches, loss experiences compared favourably with the regional average ratios of 46.6% and 50.6% respectively.

Portfolio from English speaking West Africa sub-

region confirmed previous trends which consistently indicated that the sub-region produced the most profitable business. In 1989, the portfolio had an overall Gross Loss Ratio of 18.7% which was a significant improvement over that of 1988 which was 23.3%. The improvement occurred in the Fire & Accident Branch which in 1989 had a loss ratio of 17.2% against a similar ratio of 29.8% in 1988.

International Inward business registered the most severe loss deterioration in 1989. The overall Gross Loss Ratio of 460.5% resulted mainly from the adjustment of loss portfolio in the Fire & Accident Branch which raised the Loss Ratio for the branch to 497%, the highest level ever. Losses emanating from run-off accounts of International Inward business continue to negate results of the otherwise profitable African portfolio which the Corporation



traditionally writes.

OTHER EXPENSES

Management expenses in 1989 reached US\$2,875,803 reflecting an increase of 7.4% over that of 1988. Having been brought down from its highest level in 1984 (US\$3.13m) to as low as US\$2.5m in 1986, the rise of this expense item in 1989 was largely due to improvements in emolument awarded to staff and sharp increases in prices of goods and services the Corporation utilises for its day to day operations. The amount was charged in full to the Underwriting Revenue Account for the financial year.

Other expenses not charged to the Underwriting Revenue Account, amounting to US\$497,050 (1988—US\$478,041) were taken to the Profit and Loss Account. The marginal rise in these expenses was attributable to expenses incurred in connection with the Annual General Meeting Committee of Six which commenced work in November 1989 and the special condition at the venue for the 11th Annual General Meeting which delayed the departure of some Conference Staff.

RESULTS OF UNDERWRITING YEAR 1987

Both the basis for computing reserves for outstanding losses for closed Underwriting Years and the Corporation's practice whereby reinsurance funds for still open years are carried forward in full remained unchanged. The accounts for Underwriting Year 1987 which had been kept open for 3 consecutive years were closed for the first time on 31st December, 1989.

After meeting all obligations for business accepted by the Corporation and providing adequate reserves for outstanding claims for all closed years, a final underwriting profit of US\$1,012,309 (1988—US\$1,339,367), was realised. The amount was transferred to the Profit and Loss Account.

RESULTS OF FINANCIAL YEAR 1989

Transactions for all underwriting years during Financial Year 1989 were accounted for in the Underwriting Revenue Account for the Year ended 31st December, 1989. Out of a gross written premium of US\$32,315,222 (1988—US\$31,313,958), US\$29,159,716 (1988—US\$28,597,241) was retained by the Corporation. Deducting from the retained premium all outgo (claims, commissions and charges, excess of loss premiums and management expenses) which amounted to US\$30,483,342 (1988—US\$25,819,013) left a balance of US\$1,323,626 representing the excess of outgo over income (1988—excess of income over outgo of US\$2,778,220). Reinsurance and Reserve Funds of US\$28,274,973 (1988—US\$26,836,112) were brought into the Account as at 1st January and similar funds of US\$25,939,038 (1988—US\$28,274,973) were carried forward at 31st December leaving a balance of US\$1,012,309 (1988—US\$1,339,367) as the final underwriting profit for all closed years. The amount was transferred to the Profit and Loss Account.

Income from investments and other sources including interest on reinsurance deposits for 1989 amounted to US\$2,265,814 (1988—US\$1,767,261), to which was added a realised exchange gain of US\$111,408 and the resulting balance of US\$2,377,222 added to the profit for the Financial Year. The sum of the profits from underwriting operations and incomes from investments and other sources of US\$3,389,531 was reduced by US\$497,050 being the total of all other expenses not charged to the Underwriting Revenue Account. The final balance of net operating profit for Financial Year 1989 was therefore determined as US\$2,892,481.

APPROPRIATION

Aware of the continued need to strengthen the Corporation's security to a level considered internationally respectable, the Board does not recommend the distribution of dividends.





Other Activities

ADHESIONS

At its 11th Annual Ordinary Meeting, the General Assembly accepted in principle the adhesion of the People's Republic of Angola and the Republic of Seychelles. The latter has since completed all the adhesion formalities, but by 31st December, 1989, Angola had not yet ratified the Agreement in order to become a full-fledged member. By 31st December, 1989, therefore, membership of the Corporation stood at 39 African States and the African Development Bank.

From discussions which the Management held during missions to various non-member States, the Board is confident of the imminent adhesion of several OAU Member States.

RELATIONS WITH OTHER ORGANISATIONS

During the 1989 financial year, the Corporation

increased its contacts with sister organisations, in its determination to strengthen relations with them.

Thus, Africa Re delegations attended the traditional meetings of the African Development Bank, the Fédération des Sociétés d'Assurances de Droit National Africaines (FANAF), Preferential Trade Area (PTA), Organisation of East African Insurers (OEAI), West African Insurance Companies Association (WAICA) and the Federation of Afro-Asian Insurers and Reinsurers (FAIR). On each occasion, the Corporation's contribution was received with keen interest by the various institutions, an advantage that it will strive to consolidate in the future, thereby fulfilling one of its essential functions—to foster inter-African cooperation in insurance.

STAFF MATTERS

Staff strength during the 1989 financial year stood at 120, comprising 30 senior staff (D and P), 75 junior staff (SP and G) and 15 manual workers (M), from 17 countries.

ESTABLISHMENT STATUS ANALYSED BY NATIONALITY/STAFF CATEGORY AS AT 31/12/1989

Category Nationality	D	P	SP	G	M	TOTAL	
						1989	1988
Algeria	1	—	—	—	—	1	1
Angola	—	1	—	—	—	1	1
Benin	—	2	—	4	—	6	6
Cameroon	—	1	—	—	—	1	1
Côte d'Ivoire	—	—	—	8	2	10	10
Ethiopia	—	—	—	—	—	—	2
Ghana	—	3	1	1	1	6	6
Kenya	1	1	—	12	2	16	15
Libya	—	1	—	—	—	1	—
Mauritius	1	—	—	—	—	1	1
Madagascar	—	1	—	—	—	1	1
Morocco	—	1	1	10	2	14	14
Nigeria	1	9	1	36	8	55	61
Senegal	—	1	—	—	—	1	1
Sierra Leone	—	1	—	—	—	1	1
Tanzania	—	1	—	—	—	1	1
Togo	1	—	—	1	—	2	2
Uganda	1	1	—	—	—	2	2
TOTAL	6	24	3	72	15	120	126



TECHNICAL ASSISTANCE AND TRAINING

During the period under review, the Corporation drew up an Agricultural Insurance Scheme which has already been made available to Member countries on request. Indeed, at a time when all African States are steering their economic policies towards giving more priority to agriculture, the insurance industry has a duty to contribute to these efforts. In the same vein, the Board reaffirmed the Corporation's determination to contribute, within the limits of its financial and technical resources, to all insurance-related studies or projects involving any African State or institution.

Apart from the training of its own staff, Africa Re in 1989 organised a seminar similar to that held for English-speaking markets in 1988 in Lagos for more of its cedants. The seminar, held from 25th to 29th September, 1989 at the Casablanca (Morocco) Regional Office on the theme "Reinsurance Planning", was attended by 36 insurance and reinsurance professionals from 15 African countries. This form of training will be undertaken annually in one or the other of the Corporation's working languages.

GENERAL ASSEMBLY

At the invitation of the Government of the Republic of Sudan, the 11th Annual Ordinary Meeting of the General Assembly was held on 26th and 27th June, 1989 in Khartoum, Sudan. It was attended by 25 member countries and the African Development Bank (ADB) accounting for 81.91% of voting power.

The formal opening ceremony was presided over by His Excellency Dr Abdel Rahim MIRGHANY, Secretary of State for Finance and Economic Planning, Republic of Sudan, who remarked that Africa Re was a concrete proof that inter-African cooperation was possible when all countries were committed to the goal. He also recalled the key role that insurance should play in development financing. Finally, he urged the representatives of shareholders, the Board, Management and staff not to rest on their laurels and to increase the Corporation's assistance to African cedants to enable them to attain their objectives.

At the opening of the deliberations, the General Assembly unanimously accepted the adhesion of the People's Republic of Angola and the Republic of Seychelles, and invited the Board and Management to effect this decision as soon as the States had accomplished all subscription, ratification and payment formalities (Resolution No. 1/1989). The General Assembly then considered and approved the Balance Sheet and Final Accounts for financial year 1988 during which it had realized a net profit of US\$2,162,107, decided not to distribute dividends, authorised the transfer of the sum of one hundred and forty thousand

United States dollars (US\$140,000), being the second half of capital to be paid up on behalf of the Democratic Republic of Madagascar (US\$90,000) and the Republic of Seychelles (US\$50,000) and authorised the distribution of the Annual Report of the Board of Directors.

Thereafter, the General Assembly examined document AFRICARE/GA/13/76 entitled "The African Reinsurance Corporation: A Decade of Activities—Assessment and Perspectives", in which the Board, in the light of the Corporation's achievements of the last 10 years, the potential offered by African markets and the recent evolutions and restructuring, proposed to:

- i) raise the level of the legal cession;
- ii) open up the capital to member countries' national insurance companies;
- iii) develop the Corporation's marketing action and possibilities of recycling reinsurance premiums retained within the national territories of States.

After extensive debate, the General Assembly decided to set up a Committee of Six Members comprising representatives of Cameroon, Côte d'Ivoire, Ethiopia, Libya, Nigeria and the African Development Bank. Its terms of reference were to pursue the study initiated, to sensitise the institution's Member States to the need for reaffirmed political support, and to make concrete proposals for strengthening the Corporation. Finally, the General Assembly elected a new Board of Directors comprising 8 substantive members who in turn appointed 8 alternates, as well as the representatives of the African Development Bank. It also renewed the mandate of the External Auditors, Shawki & Co. of Egypt.

As part of the activities of the General Assembly, a delegation led by its Chairman was received in audience by His Excellency the Prime Minister of the Republic of Sudan. During the meeting, the Prime Minister expressed satisfaction with Africa Re's results and achievements by which it proved that when political will existed, African professionals were capable of meeting the challenges engendered by the continent's economic situation. He stressed the need for Africa to first of all count on its own resources and insisted on the importance of Member States giving unflinching support to the objectives of the LAGOS PLAN OF ACTION in general, and those of the African Reinsurance Corporation in particular, as well as the responsibility devolving upon insurance professionals in the struggle to overcome under-development. Concluding, he expressed the wish for Africa Re, drawing inspiration from the OAU's economic goals, to endeavour to identify realistic perspectives for its strengthening, in order to fulfil the dream of its founding fathers by becoming the preferred instrument of South-South cooperation.



COMPOSITION AND MEETINGS OF THE BOARD

The following members were elected to the 5th Board of Directors:

Substantive

Alternate

1. Chairman—Ezzat ABDEL BARY (Egypt)
Jada LORERE (Sudan)
2. Vice-Chairman—Eugene OKWOR (Nigeria)
Patrick KPODO (Ghana)

Members

3. Ayi A. AMAVI (Togo)
Marième DIOUF (Senegal)
4. Mohamed FATMI (Algeria)
El Moctar EL BEIDAWI (Mauritania)
5. Raymond IBATA (Congo)
N.N. KADADI (Chad)

6. Isaiah Boysie Claudius JOHN (ADB)
Elie K.M. SANVEE (ADB)
7. Frederick MAGEZI (Uganda)
John RUBAMBE (Tanzania)
8. Mwene MWINGA (Zambia)
Percy Jacques BLACKBURN (Mauritius)
9. KASSEM SHERLALA (Libya)
Hassan OUAZZANI (Morocco)

During the year under review, the Board held 4 meetings at the venues and dates listed below:

44th Meeting—Abidjan, Côte d'Ivoire—10th & 11th April, 1989

45th Meeting—Khartoum, Sudan—24th June, 1989

46th Meeting—Khartoum, Sudan—27th June, 1989

47th Meeting—Lagos, Nigeria—6th & 7th November, 1989.





FINANCIAL HIGHLIGHTS
(IN U\$ 000)

Description	Financial Year	1989	1988	1987	1986	1985
FINANCIAL POSITION						
1. Investments		13,269	11,599	10,440	7,720	7,387
2. Shareholders' Funds		15,530	11,126	13,163	7,548	6,620
3. Reinsurance and Reserve Funds		25,939	28,275	26,836	27,069	27,216
PROFIT AND LOSS ACCOUNT						
4. Income from Investments and Other Sources		1,355	970	813	613	537
5. Expenses of General Assembly & Board Meetings		281	263	276	278	307
6. Profit for the Year*		2,892	2,162	2,060	2,664	1,790
UNDERWRITING REVENUE ACCOUNT						
7. Gross Premiums		32,315	31,314	31,692	34,514	43,714
8. Retained Premiums		29,160	28,597	30,367	31,251	35,202
9. Management Expenses		2,876	2,677	2,695	2,548	2,863
10. Net Underwriting Profit (after Management Expenses)		1,012	1,339	1,629	3,638	2,033

*The results for 1985 to 1987 are restated in accordance with IAS 21



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Emad Ragheb
Wahid Abdel Ghafar
Azmy Aboud
Nabil Istabouli
Hoda Shawki
Mohsen Gamgoum
Mohamed El Kateb
Tamer Abdel Aziz
Ashraf El Araby
Khaled El Ghanam
Tarek El Menshawy
Rashad Hosny
Hala Rashed

For the shareholders of
African Reinsurance Corporation

We have examined the balance sheet of African Reinsurance Corporation as of 31 December 1989 and the related underwriting revenue account, profit and loss account and statement of cash flow for the year then ended. Our examination was made in accordance with international auditing guidelines and, accordingly, included such tests of the accounting records, and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of African Reinsurance Corporation as of 31 December 1989 and the results of its operations and cash flow for the year then ended using the accounting policies described in Note 2, which basis has been applied in a manner consistent with that of the preceding year.

16 March 1990



**AFRICAN REINSURANCE CORPORATION
BALANCE SHEET AT 31ST DECEMBER, 1989**

	Note	1989 US\$	1988 US\$
RESOURCES EMPLOYED			
Investments	2(d)&3	13,269,280	11,598,820
Current Assets			
Amounts due from Companies on Reinsurance Accounts		7,719,403	11,710,769
Deposits retained by Ceding Companies	*	27,997,246	29,376,743
Sundry Debtors, Accrued Interest and Prepayments		731,552	752,271
Bank and Cash Balances	4	3,072,785	4,178,352
		<u>39,520,986</u>	<u>46,018,135</u>
Less: Current Liabilities			
Amounts due to Companies on Reinsurance Accounts		4,953,489	9,610,698
Deposits due to Retrocessionaires		6,433,960	8,192,288
Other Creditors, Accruals and Provisions		548,717	1,094,333
		<u>11,936,166</u>	<u>18,897,319</u>
Net Current Assets		27,584,820	27,120,816
Fixed Assets	2(e)&5	614,840	680,987
		<u>41,468,940</u>	<u>39,400,623</u>
FUNDED BY			
Paid-up Capital	6	9,700,000	9,460,000
Reserves	7	2,593,710	2,581,062
Cumulative Translation Adjustments		(3,556,819)	(4,927,350)
Retained Profit		6,793,011	4,011,938
		<u>15,529,902</u>	<u>11,125,650</u>
Reinsurance and Reserve Funds	8	25,939,038	28,274,973
		<u>41,468,940</u>	<u>39,400,623</u>

EZZAT ABDEL BARY
Chairman

EYESSUS W. ZAFU
General Manager

The accompanying notes form an integral part of the Financial Statements.



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1989

	1989	1988
	US\$	US\$
Underwriting Profit	1,012,309	1,339,367
Income from Investments and Other Sources	1,354,639	969,782
Interest on Reinsurance Deposits	911,175	797,479
Realised Gain/(Loss) on Exchange	111,408	(466,480)
	<u>3,389,531</u>	<u>2,640,148</u>
Expenses not charged to Underwriting Revenue Account:		
General Assembly and Board of Directors' Meetings	281,088	262,887
Audit Fee	35,000	35,000
Depreciation and Amortisation	<u>180,962</u>	<u>180,154</u>
	<u>497,050</u>	<u>478,041</u>
Profit for the year	2,892,481	2,162,107
Add: Retained Profit at 1st January 1988	4,011,938	1,383,351
Reserve for Exchange Fluctuation Released	—	466,480
Appropriations:		
Reserve for Exchange Fluctuation	<u>(111,408)</u>	<u>—</u>
Retained Profit at 31st December 1989	<u><u>6,793,011</u></u>	<u><u>4,011,938</u></u>

The accompanying notes form an integral part of the Financial Statements



UNDERWRITING REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1989

	Fire and Accident US\$	Marine and Aviation US\$	Life US\$	Total 1989 US\$	Total 1988 US\$
Underwriting Income:					
Gross Premiums	22,641,786	8,679,581	993,855	32,315,222	31,313,958
Less: Retrocessions	2,904,998	250,508	—	3,155,506	2,716,717
	<u>19,736,788</u>	<u>8,429,073</u>	<u>993,855</u>	<u>29,159,716</u>	<u>28,597,241</u>
Underwriting Outgo:					
Claims	11,634,034	4,294,295	726,691	16,655,020	12,915,616
Commissions	6,624,915	3,120,677	230,075	9,975,667	9,105,016
Excess of Loss Premiums	437,721	128,179	—	565,900	784,101
Charges	302,704	106,696	1,552	410,952	337,327
Management Expenses	2,199,066	645,924	30,813	2,875,803	2,676,953
	<u>21,198,440</u>	<u>8,295,771</u>	<u>989,131</u>	<u>30,483,342</u>	<u>25,819,013</u>
Excess of Income over Outgo	(1,461,652)	133,302	4,724	(1,323,626)	2,778,228
Reinsurance & Reserve Funds:					
At 1st January	15,780,782	11,185,385	1,308,806	28,274,973	26,836,112
At 31st December	<u>13,633,407</u>	<u>11,123,161</u>	<u>1,182,470</u>	<u>25,939,038</u>	<u>28,274,973</u>
Underwriting Profit transferred to Profit & Loss Account	<u>685,723</u>	<u>195,526</u>	<u>131,060</u>	<u>1,012,309</u>	<u>1,339,367</u>

The accompanying notes form an integral part of the Financial Statements



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 1989

	1989	1988
	US\$	US\$
CASH FLOWS FROM OPERATIONS:		
Operating Profit	2,892,481	2,162,107
Adjustments to reconcile operating profit to net cash generated from operations:		
Depreciation and Amortisation	180,962	180,154
Profit from sale of fixed assets	(5,547)	(1,776)
Reinsurance & Reserve Funds	(2,335,937)	1,438,863
Amounts due from Companies on Reinsurance Accounts	3,991,366	4,139,549
Deposits Retained by Ceding Companies	1,379,497	1,402,590
Sundry Debtors, Accrued interest and Prepayments	20,719	12,191
Amounts due to Companies on Reinsurance Accounts	(4,657,209)	(2,484,940)
Deposits due to Retrocessionaires	(1,758,328)	543,271
Other Creditors, Accruals and Provisions	(545,614)	410,314
	<u>(3,730,091)</u>	<u>5,640,216</u>
	(837,610)	7,802,323
Adjustments for non-cash items taken to Shareholders Funds:		
Translation Gain	—	531,542
Cumulative Translation Adjustment	1,370,531	(4,927,350)
	<u>1,370,531</u>	<u>(4,395,808)</u>
Net Cash generated from Operations	532,921	3,406,515
CASH FLOWS FROM FINANCING ACTIVITY:		
Proceeds from issue of shares for cash	141,240	196,000
CASH FLOWS FROM INVESTMENT ACTIVITY:		
Proceeds on sale of Fixed Assets	5,770	5,272
Purchase of Fixed Assets	(115,038)	(177,644)
Short term deposits placed	(1,670,460)	(1,158,641)
	<u>(1,779,728)</u>	<u>(1,331,013)</u>
NET INCREASE (DECREASE) IN BANK AND CASH BALANCES	(1,105,567)	2,271,502
BANK AND CASH BALANCES:		
At 1st January 1989	4,178,352	1,906,850
At 31st December 1989	<u>3,072,785</u>	<u>4,178,352</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 1989

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.

To achieve these purposes, the Corporation transacts treaty and facultative reinsurance business in respect of all classes of insurance inside as well as outside Africa, creates and administers pools and/or other exchange schemes for various risks for the account and to the interest of African insurance and reinsurance companies.

NOTE 2

ACCOUNTING POLICIES

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

(a) Revenue Recognition

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

(b) Underwriting Revenue Account and Reinsurance and Reserve Funds

All underwriting accounts are maintained on underwriting year basis and 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 calculated on the basis of the Corporation's prior year's loss experience is provided to meet any outstanding claims. The adequacy of the Reserve Fund is considered 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

- (i) The Financial statements expressed in the various functional currencies of the member States have been translated into the Corporation's reporting currency, the United States Dollar, in accordance with International Accounting Standard No. 21 "Accounting for the Effects of Changes in Foreign Exchange Rates", 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.

- (ii) Underwriting revenue items originating in currencies other than the United States Dollar are accumulated in the functional currencies and translated at rates ruling at the Balance Sheet date.

(d) Investments

Short term investments are stated at cost or market value, whichever is the lower. 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 12½% and 33⅓%.
Motor Vehicles—25%.

(f) Debtors

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



(g) Management Expenses

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

NOTE 3

INVESTMENTS

Investments are made up of:

	1989	1988
	US\$	US\$
Subscription in		
Shelter-Afrique	1,020,000	1,020,000
Short Term Deposits	12,249,280	10,578,820
	<u>13,269,280</u>	<u>11,598,820</u>

NOTE 4

BANK AND CASH BALANCES

The balances include an equivalent of US\$994,320 representing temporary short term deposits in member States' currencies, of which part awaited approval for conversion to United States Dollars.

NOTE 5

FIXED ASSETS

	Freehold & Capital Leasehold Property US\$	Furniture Fittings & Equipment US\$	Motor Vehicles US\$	Total 1989 US\$	Total 1988 US\$
Cost					
At 1st January	359,034	1,162,574	148,585	1,670,193	1,513,993
Additions during the year	—	115,038	—	115,038	177,644
Disposals during the year	—	(36,671)	—	(36,671)	(21,444)
	<u>359,034</u>	<u>1,240,941</u>	<u>148,585</u>	<u>1,748,560</u>	<u>1,670,193</u>
Depreciation					
At 1st January	45,048	830,323	113,835	989,206	827,000
Charge for the year	7,181	150,617	23,164	180,962	180,154
On disposals during the year	—	(36,448)	—	(36,448)	(17,948)
	<u>52,229</u>	<u>944,492</u>	<u>136,999</u>	<u>1,133,720</u>	<u>989,206</u>
Net Book Value					
At 31st December	<u>306,805</u>	<u>296,449</u>	<u>11,586</u>	<u>614,840</u>	<u>680,987</u>



NOTE 6

CAPITAL STOCK AND PAID-UP CAPITAL

(i) The initial capital allotted to the Member States of the OAU at the date of signature of the Agreement Establishing the Corporation in 1976 was US\$10,000,000. This amount was augmented by US\$1,160,000 representing the value of shares allotted in 1983 to newly independent states to bring the total capital offered for subscription to US\$11,160,000.

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

	1989 US\$	1988 US\$
Capital Available for Subscription	11,160,000	11,160,000
Unsubscribed Capital	(1,460,000)	(1,560,000)
Subscribed and paid-up Capital	<u>9,700,000</u>	<u>9,600,000</u>

NOTE 7

RESERVES

	Reserve for Capita- lisation US\$	Share Premium US\$	Reserve for Exchange Fluctuation US\$	General Reserve US\$	Total 1988 US\$
Balance at 1st January	140,000	56,000	1,425,062	960,000	2,581,062
Amount Capitalised	(140,000)	—	—	—	(140,000)
Premium on Shares issued during the year	—	41,240	—	—	41,240
Currency Translation Gain for the year	—	—	111,408	—	111,408
Balance at 31st December	<u>—</u>	<u>97,240</u>	<u>1,536,470</u>	<u>960,000</u>	<u>2,593,710</u>



NOTE 8

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:-

	Reinsurance Funds US\$	Reserve Funds US\$	Total 1989 US\$	Total 1988 US\$
Fire & Accident	9,803,407	3,830,000	13,633,407	15,780,783
Marine and Aviation	4,690,001	6,433,160	11,123,161	11,185,386
Life	22,470	1,160,000	1,182,470	1,308,806
	<u>14,515,878</u>	<u>11,423,160</u>	<u>25,939,038</u>	<u>28,274,975</u>

NOTE 9

RELATED PARTY TRANSACTIONS

A portion of the Corporation's underwriting business is transacted with ceding companies owned by African States which are shareholders of the Corporation (See Annex 1)

NOTE 10

TAXATION

The Corporation is not subject to tax in the markets where it operates according to Article 51 of the Establishment Agreement, therefore no tax provision is made in the financial statements.





ANNEX 1

STATEMENT OF SUBSCRIPTIONS AND VOTING POWERS OF MEMBERS AS AT 31ST DECEMBER, 1989

States/Organisations	No. of Shares	Value of Shares	Amount not sub- scribed	Amount sub- scribed	Called Up and Paid	Called and Unpaid	Voting Power
1. Algeria	60	600,000	—	600,000	600,000	—	6.19
2. Benin	10	100,000	—	100,000	100,000	—	1.03
3. Burkina Faso	11	110,000	—	110,000	110,000	—	1.13
4. Burundi	10	100,000	—	100,000	100,000	—	1.03
5. Cameroon	30	300,000	—	300,000	300,000	—	3.09
6. Central African Republic	10	100,000	—	100,000	100,000	—	1.03
7. Chad	12	120,000	—	120,000	120,000	—	1.24
8. Congo	13	130,000	—	130,000	130,000	—	1.34
9. Côte d'Ivoire	25	250,000	—	250,000	250,000	—	2.58
10. Egypt	60	600,000	—	600,000	600,000	—	6.19
11. Ethiopia	28	280,000	—	280,000	280,000	—	2.89
12. Gabon	16	160,000	—	160,000	160,000	—	1.65
13. Gambia	10	100,000	—	100,000	100,000	—	1.03
14. Ghana	33	330,000	—	330,000	330,000	—	3.40
15. Guinea	10	100,000	—	100,000	100,000	—	1.03
16. Guinea Bissau	10	100,000	—	100,000	100,000	—	1.03
17. Kenya	26	260,000	—	260,000	260,000	—	2.68
18. Liberia	10	100,000	—	100,000	100,000	—	1.03
19. Libya	60	600,000	—	600,000	600,000	—	6.19
20. Mali	10	100,000	—	100,000	100,000	—	1.03
21. Madagascar ✕	18	180,000	—	180,000	180,000	—	1.86
22. Mauritania	12	120,000	—	120,000	120,000	—	1.24
23. Mauritius	14	140,000	—	140,000	140,000	—	1.44
24. Morocco	60	600,000	—	600,000	600,000	—	6.19
25. Niger	10	100,000	—	100,000	100,000	—	1.03
26. Nigeria	60	600,000	—	600,000	600,000	—	6.19
27. Rwanda ✕	10	100,000	—	100,000	100,000	—	1.03
28. Senegal	21	210,000	—	210,000	210,000	—	2.16
29. Seychelles ✕	10	100,000	—	100,000	100,000	—	1.03
30. Sierra Leone	13	130,000	—	130,000	130,000	—	1.34
31. Somalia	12	120,000	—	120,000	120,000	—	1.24
32. Sudan	30	300,000	—	300,000	300,000	—	3.09
33. Swaziland	11	110,000	—	110,000	110,000	—	1.13
34. Tanzania	24	240,000	—	240,000	240,000	—	2.47
35. Togo	11	110,000	—	110,000	110,000	—	1.13
36. Tunisia	25	250,000	—	250,000	250,000	—	2.58
37. Uganda	22	220,000	—	220,000	220,000	—	2.27
38. Zaire	19	190,000	—	190,000	190,000	—	1.96
39. Zambia	34	340,000	—	340,000	340,000	—	3.51
40. African Development Bank	100	1,000,000	—	1,000,000	1,000,000	—	10.31
TOTAL	970	9,700,000	—	9,700,000	9,700,000	—	100
Non-Member Countries							
1. Botswana	10	100,000	100,000	—	—	—	—
2. Equatorial Guinea	10	100,000	100,000	—	—	—	—
3. Lesotho	10	100,000	100,000	—	—	—	—
4. Malawi	10	100,000	100,000	—	—	—	—
5. Angola	17	170,000	170,000	—	—	—	—
6. Cape Verde	10	100,000	100,000	—	—	—	—
7. Comoros	10	100,000	100,000	—	—	—	—
8. Djibouti	10	100,000	100,000	—	—	—	—
9. Mozambique	19	190,000	190,000	—	—	—	—
10. Sao Tome & Principe	10	100,000	100,000	—	—	—	—
11. Zimbabwe	30	300,000	300,000	—	—	—	—
Sub-Total	146	1,460,000	1,460,000	—	—	—	—
Shares not allocated/subscribed for	384	3,840,000	3,840,000	—	—	—	—
Grand Total	1,500	15,000,000	5,400,000	9,700,000	9,700,000	—	100

**ANNEX III****SUMMARY ADMINISTRATIVE BUDGET
FOR THE PERIOD 1ST JANUARY TO 31ST DECEMBER, 1990**

	1990 US\$000	1989 US\$000
Capital Expenditure (including Furniture, Fittings and Motor Vehicles)	105	86
Annual General Assembly (including hall facilities, transportation, subsistence allowances and travel expenses relating thereto)	109	95
Board of Directors' Meetings (including hall facilities, transportation, subsistence allowances, attendance fees and travel expenses relating thereto)	218	220
Emoluments of Management and Other Staff	2,525	2,388
Travel & Subsistence Expenses relating to operations, education and training	194	203
General Expenses	949	988
	<u>4,101</u>	<u>3,980</u>