AFRICAN REINSURANCE CORPORATION
GENERAL ASSEMBLY
22ND ANNUAL ORDINARY MEETING
ABUJA, NIGERIA, 29TH AND 30TH JUNE, 2000

AFRICARE/GA/24/156

Report of the Board of Directors
Covering the Period
1st January to 31st December, 1999

AFRICAN REINSURANCE CORPORATION
SOCIETE AFRICAINE DE REASSURANCE

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Honourable Representatives
General Assembly
African Reinsurance Corporation

Date : 29th June, 2000

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, 1999.

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

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

COMPOSITION OF AFRICA RE BOARD OF DIRECTORS

Mr. M. Al Naas
Chairman

Mr. F. Magezi
Vice-Chairman

Mr. A. Bayala

Mr. T. El Barki

Mr. C. Enweze

Mr. M. Ferrani

Mr. M. U. Kari

Mr. L. P. N'Goulakia

Mr. R. Rasamoely

Mrs. A.S. Samake

Mr. K. Selim

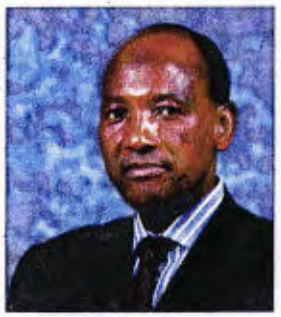
Mr. O. W. Temu

ALTERNATE DIRECTORS

Mrs. Agathe AZOKRI-DEGNON, Mr. Ahmed Omar IBRAHIM, Mr. S. APPIAH-AMPOFO, Mr. Boualem OUBAÏCHE, Mr. Côme NKURUNZIZA, Mr. Haile Michael KUMSA, Mr Hassan FARAH, Mr. Mohamed Lemine Ould Naty, Mr. Nashnush FARG, Mr. Peter KENNETH, Mr. Calvin FOINDING, Mr. Zeru WOLDEMICHAEL.

Africa Re Headquarters, Lagos

COMPOSITION OF AFRICA RE MANAGEMENT



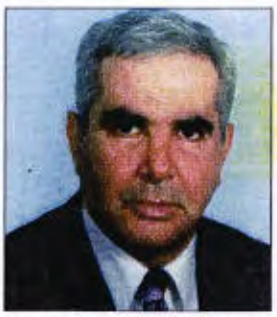
Mr. Bakary Kamara
Managing Director

Mr. Haile M. Kumsa
Deputy Managing Director

Mr. Kasali Salami
Director
Technical Operations

Mr. El Hadj Omar Diaw
Director of Administration/
Corporation Secretary

Mr. Ganiyu Musa
Director
Finance & Accounts



Mr. Mustapha Aït Belkacem
Regional Director
Casablanca

Mr. Indre Vin Nursinghdass
Regional Director
Nairobi

Mr. Béné B. Lawson
Regional Director
Abidjan

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EXECUTIVE SUMMARY

The 22nd Annual Report of the Board of Directors presents the Corporation's financial statements for 1999, including the balance sheet as at 31st December and the profit and loss account for the year then ended. In addition, it contains the results of the 1997 Underwriting year (closed for the first time), those of the previous years (1978-1996), as well as the accounts for the still open years of 1998 and 1999.

It contains a review of the Corporation's operating environment and the report of the External Auditors to the shareholders.

During the financial year 1999, the Corporation recorded a gross premium income, net of cancellations of US$70,920,129 which represents an increase of 7.25% over the 1998 production of US$66,126,186. Due to the increase in the Corporation's underwriting exposure during the year, which necessitated the purchase of additional protection, retroceded premium rose from US$3,685,933 in 1998 to US$5,040,692. The retained premium therefore stood at US$ 65,879,437 (1998:US$62,440,253) corresponding to a ratio of 92.89% compared to 94.43% in 1998. After adjusting for the movement in unearned premium reserves, net earned premium amounted to US$69,122,848 (1998:US$ 60,467,948). Paid losses stood at US$37,049,538 (1998:US$28,123,494), while adjustment for the movement in outstanding claims reserve produced an incurred loss of US$43,977,781 (1998: US$32,106,068). Other outgo includes commissions of US$19,087,431, charges of US$1,536,441 and management expenses of US$4,187,398. The resulting underwriting profit of US$333,797 (1998:US$3,630,939) was transferred to the profit and loss account.

Income from investment and other sources amounted to US$3,489,830, compared to US$3,482,566 in 1998, while interest on reinsurance deposits stood at US$983,631 (1998:US$996,588). A realised loss on exchange of US$276,990 was recorded, compared to a gain of US$229,016 in 1998. Operating income for the year therefore amounted to US$4,530,268 (1998:US$8,339,109). Other expenses not charged to the underwriting revenue account amounting to US$656,245 (1998:US$928,467) were then deducted from the operating income to arrive at a net profit of US$3,874,023 for the year compared to US$7,410,642 in 1998.

The excess of income over outgo for the still open years of 1998 and 1999 amounted to US$34,492,523 (1998:US$37,735,934) and this has been carried forward as reinsurance funds in line with the Corporation's standing accounting practice. Similarly, reserves for outstanding losses including IBNR at the end of the year was established at US$29,945,792 (1998:US$ 23,017,549).

The cumulative translation adjustment for the year resulted in an unrealised loss of US$5,231,878, compared to a gain of US$807,599 recorded in 1998, out of which US$5,000,000 was written off by way of transfer from the profit and loss account. As in previous years, this is being treated as a separate component of the shareholders' funds in accordance with the International Accounting Standards No. 21 (IAS 21). As at 31st December 1999, cumulative translation adjustment therefore amounted to US$9,777,890 (1998:US$9,546,012).

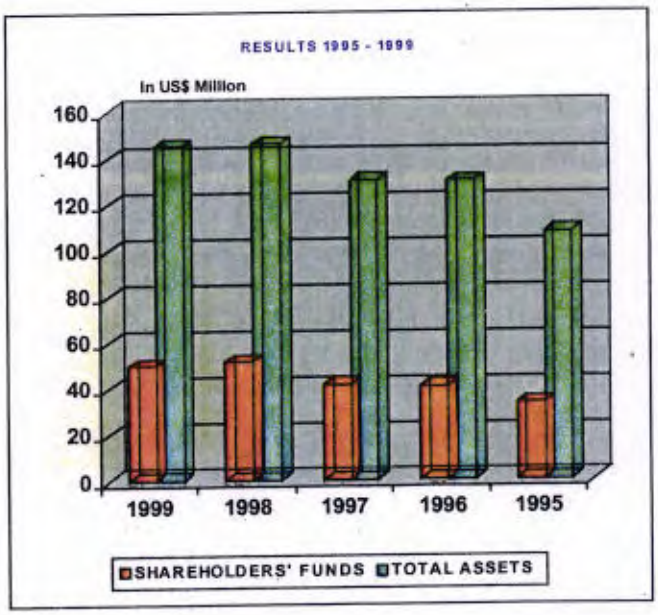
The shareholders' funds as at 31st December 1999 stood at US$50,087,774 compared to US$50,216,444 at the end of the previous year.

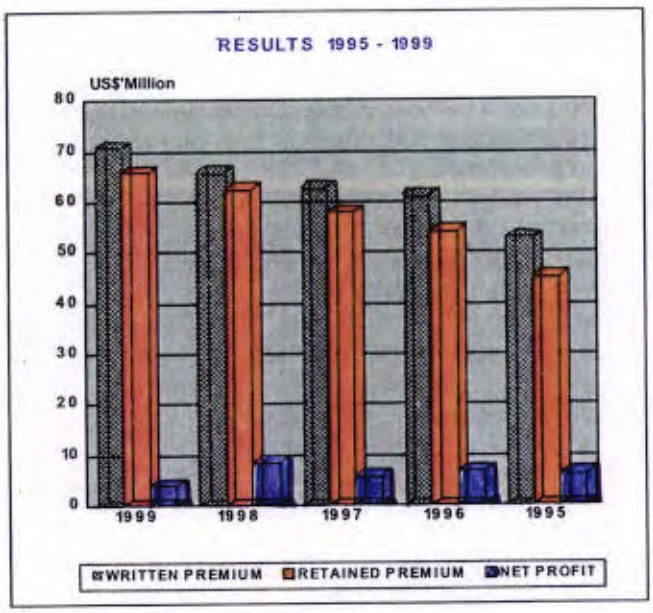
The year 1999 was characterised by the unexpected recovery of the world economy whereas several financial analysts had predicted a prolonged depression, following the 1997 Asian crisis.

During the year under review, South East Asian countries and South Korea recorded outstanding economic performance with a GDP growth rate of between 4% and 9%. Only Japan trailed behind due to rising unemployment and the appreciation of the Yen, which rendered its exports less competitive.

FINANCIAL HIGHLIGHTS

In US$ '000	1999	1998	1997	1996	1995
RESULTS					
WRITTEN PREMIUM	70,920	66,126	62,900	61,281	53,329
RETAINED PREMIUM	65,879	62,440	57,960	54,143	45,068
EARNED PREMIUM (NET)	69,123	60,468	55,932	48,227	36,001
NET PROFIT	3,874	7,411	5,685	6,683	6,113
FINANCIAL POSITION					
SHAREHOLDERS' FUNDS	50,088	50,216	41,519	40,256	33,543
TOTAL ASSETS	145,608	146,546	130,501	126,980	107,619





On the other hand, the American economy, with a growth rate of 4% and unemployment at its lowest is on the threshold of overheating. Nevertheless, that economy still remains the driving force of the world economy.

Member countries of the European Union benefited from a weak Euro, thereby increasing their exports significantly. The failure of the negotiations by the World Trade Organisation (WTO) had no negative impact on the process of trade globalisation.

While some African countries (Algeria, Angola, Egypt, Equatorial Guinea, Nigeria, Gabon and Libya) gained from the increase in the prices of crude oil, majority of others were negatively affected by the fall in the prices of raw materials. Indeed, while the growth rate of half a dozen countries ranged between 5% and 9%, that of the remaining countries was lower than the rate of population growth (3%).

The decision taken by the industrialised countries (G7), at the Cologne (Germany) meeting, to write off part of the debts of the Highly Indebted Poor Countries (HIPC) is expected to give a strong and new impetus to African economies, especially if it is followed by a re-channelling of Foreign Direct Investments (FDI).

Therefore, it is expected that for the period 2000 – 2003, the share of low Income countries in Foreign Direct Investment would increase remarkably and the major destinations of this private funding would be half a dozen emerging countries.

In the insurance industry, the mergers/acquisitions initiated in the previous years continued in 1999, even if at a less sustained pace. African markets were not spared by the fall in insurance premium, which was more noticeable in North America, Europe and Japan. The contraction in production significantly contributed to the fierce competition resulting from over-capacity in direct insurance and reinsurance.

Generally, market players had expected that competition would initiate a return to the fundamentals of underwriting. Each of them was therefore hoping to benefit from the result, without even taking the slightest management risk. The reduction in retrocession capacity will certainly result in the necessary rate increase.

The new rules introduced by many supervisory Authorities are currently sanitising the profession that had, for long, been characterised by amateurishness in the management of insurance companies.

Following the example of Egypt and CIMA members, several African countries now insist on a higher solvency margin and capitalisation level.

Thus, Egypt and Mauritius require a minimum of Triple B rating from Standard & Poor's or A+ from AM Best, for reinsurers wishing to transact business within their territories.

Africa Re, which had already realised the need for professionals within the continent to measure up to international norms, had crossed that hurdle several years ago. The Triple B rating obtained from Standard and Poor's in 1998 was reaffirmed in June 1999. That was preceded by the (domestic) A rating granted by Fitch IBCA.

The production level for the year under review (US$ 70.92 million) would have been higher, were it not for the appreciation of the Corporation's unit of account (US$) against almost all currencies. Indeed, the rate of increase in 1999 would have stood at 13.90%, instead of the 7.25% actually recorded. This level of growth which is due to a number of factors, including a higher level of shareholders' funds, a more flexible retrocession programme that facilitated the acceptance of peak risks and a more effective marketing drive, could be sustained for the duration of the five-year Plan of Action 1999 – 2003.
Additional cessions (treaty and facultative) represented 66.12% of total production as against 61.15% in 1998. The growth is attributable to increased marketing drive.

The year 1999 was exceptionally bad due to natural catastrophes (drought and flooding) and man made disasters (Fire and Marine losses etc.). Africa Re settled losses amounting to about US$ 41.76 million as against US$ 28.63 million in 1998, representing a gross loss ratio of 58.89%. This explains the narrow technical margin (US$ 0.33 million) when compared to the US$ 3.63 million recorded in 1998.

The paid-up capital stood at US$ 23, 707, 500 while the shareholders' funds amounted to US$ 50,087,774 due to the severe exchange loss resulting from the appreciation of the Corporation's unit of account against all the trading currencies.

ECONOMIC AND TRADING ENVIRONMENT

The year 1999 just ended, which also brought the 20th century to a close was marked by the triumph of the *new economy*, namely, innovations and the development of communication technologies. It was also a year of accelerated mergers between competitors and/or partners, local or international. In brief, the financial year was characterised by the:

i) unexpected recovery of the world economy

ii) consensus reached by the industrialised nations (G7) to forgive the debts of the very poor countries in order to reduce the gap between the poor and the rich nations ;

iii) dramatic fall in the prices of raw materials with the exception of oil whose price was on an upward swing ;

iv) slowdown of growth in the insurance sector, a phenomenon that was further amplified by the worsening of results recorded by companies.

Recovery of the World Economy

Although 1999 witnessed further marginalisation of the poorest countries, the health bill of the world economy, issued by most experts including the United Nations Development Programme (UNDP) was, on the whole, positive. Prospective economic studies carried out after the 1997 Asian financial crisis, whose shock wave went as far as the door steps of the industrialised countries, had all predicted that the world economy would be seriously threatened or at least experience a prolonged depression.

However, most economists, within a few months reviewed their predictions upwards, based on three factors.

First was the early recovery of the Asian economy especially that of South Korea. The initial signs of recovery were already apparent in the fourth quarter of 1998 and were soon confirmed, as reflected in our annual report for that year. This was due to the massive injection of public funds with a view to restructuring the ailing conglomerates and reducing interest rates in order to give new impetus to domestic demand by way of household investment and consumption. South Korea would, within this year, record a growth of 9%, similar to that of its past buoyant years.

By and large, there was a positive growth in Asia with outstanding achievement in Thailand and Singapore. Exports from the other countries in the region also gained maximum advantage from the devaluation in the summer of 1997, which made them more competitive. Only in Japan was the much talked about recovery of the economy compromised by the appreciation of the Yen, coupled with rising unemployment resulting from the restructuring of companies.

The long awaited slowdown of the American economy failed to materialise. Indeed, for the ninth consecutive year, this economy has been growing so much that now it is just on the threshold of overheating. Two main reasons account for this: the tightening of the monetary policy by the Federal Reserve and the more stringent budget control. No one can ignore the role played by American households who invest in the stock market, the gains of which were ploughed back into the real sector of the economy by way of the purchase of household equipment and consumer goods. Thus, the wheel of production continued to turn, both for the local market and for import, engendering, nevertheless, a distortion in the balance of payment of the country. However, it should be recalled that with a growth rate of 4% in 1999 and unemployment at its lowest, the American economy, which also imports massively from other nations continues to play the role of the driving force of the world economy.

Finally, the Euro zone, despite a slump at the beginning of the year, recorded remarkable performances. The increase in technological products and the fall in unemployment (now below 10%) partly accounted for the trend. The fall of the Euro against the American currency (15% within a year) contributed to those achievements.

Thus, for the first time in many years, all the main regions of the world, except Africa and South America, recorded significant economic growth. This justified OPEC's decision to cut down oil production, thus enabling the price to increase from US$9 to US$25 per barrel.

While the failure of the Seattle negotiations on international trade dampened the zeal of the advocates of unbridled globalisation, it seemed not to have had any determinant effect on the world economy. In fact, one of the demands of the developing countries, which the industrialised nations have chosen not to take into account and which partly explains the failure, is the need to modify the rules of international trade so that globalisation would become a programme from which all the nations of the world can benefit.

Perhaps, the desire not to further widen the gap between the rich and the poor prompted the Group of 7 industrialised countries to plan some debt reduction, which would result in a reintegration of the

African continent in particular into the international economic community.

Recovery of African Economies Following Debt Reduction and Re-channelling of Foreign Investment

While the external debt of all the developing countries stood at US$ 2,465 billion, Africa alone owed about US$ 350 billion i.e. 14%, whereas its contribution to the world Gross Domestic Product GDP was only 4%. Debt servicing took up more than 17% of the continent's exports, thereby reducing its ability to finance its own development.

It must be noted, however, that there was real growth in several countries despite the AIDS scourge that reversed the gains of higher life expectancy recorded in the previous decades.

There was more than 5% growth in the GDP in Benin, Burkina Faso, Cameroon, Central African Republic, Egypt, Madagascar and Tunisia. In Botswana, the figure rose up to 7% and even to 9% in Mozambique. However, the chances of success of the vast majority of countries that were competing to attract foreign capital for the construction and maintenance of infrastructures and factories became very slim. That was because the small size of their markets discouraged investors from Asia and the northern hemisphere.

Despite the appreciable increase in the cost of crude oil, the serious slump in the prices of raw materials, especially Sugar, Cocoa, Cotton and Gold, could not stimulate economies that had been under structural adjustment for at least the past two decades. For example, the sudden liberalisation of the cocoa industry in Côte d'Ivoire reduced the average price of the product by more than half within a year. Similarly, the decision of the Bank of England to sell half of its gold reserve and the threat by the International Monetary Fund to sell out more than 300 tons of this metal to finance the debt alleviation of the Highly Indebted Poor Countries (HIPC) to the tune of US$ 2 billion, precipitated a fall in the value of that secure investment, which had since tended to become mainly an article of jewellery. Therefore, despite the different adjustments made, the South African mining sector which had 500 000 work force in the beginning of 1990 has shed 270 000 positions. While trying to avoid the collapse of their economies, the other modest producers (Ghana, Mali, Tanzania and Zimbabwe) watched helplessly and full of apprehension, as palliative measures were being introduced to raise the funds necessary for the financing of debt reduction by the I.M.F. and a five year moratorium was being adopted by the European Central Bank.

Thus, although the crisis in the gold sector was contained within tolerable limits, it underscored the need for several African countries, as was the case with Botswana following the fall in the price of diamond, to diversify their sources of revenue and never to depend on a single mineral or agricultural product.

The dramatic increase in the price of crude oil will certainly benefit African producers such as Algeria, Angola, Egypt, Gabon, Equatorial Guinea, Libya and Nigeria. However, it is undeniable that this will not suffice, on its own, to absorb budget deficits recorded in the previous years with the attendant effect of aggravating the debt burden of these countries. That explains the change of strategy of the International Monetary Fund which has assumed the role of the guardian of international financial stability: better control of globalisation by monitoring more closely the movement of volatile capital which caused the Asian crisis in 1997. Thus, that institution is now advocating the adoption of a new financial framework built around the Financial Stability Forum to be headed by the Bank for International Settlement. The I.M.F. has also at present accepted the idea of introducing social safety nets to absorb the shock of the political sanitation measures on the population.

The idea of debt alleviation for the very poor countries should also form part of the moral repositioning of some of the Fund's policies. The World Bank and the G7 are now jointly championing the issue of poverty alleviation, the first stage of which is debt forgiveness.

That would assist the poorest countries to break the unending cycle of constant rescheduling. Thus, in June 1999, the Cologne Summit decided to write off, within the next fifteen years, a bill of about US$ 70 million, i.e. US$ 20 million from very soft loans and US$ 50 million of commercial loans from bilateral (Paris Club) and multilateral creditors. Not only was access to such a reduction facilitated but also the eligibility criteria were lowered. Henceforth, almost all the countries listed by the World Bank can have access. Nevertheless, the generous creditors would vigilantly supervise the utilisation of these funds.

Furthermore, it is expected that this measure will have the effect of attracting Foreign Direct Investment (FDI), which will be channelled to countries that received little or nothing at all. For now, the main countries that have attracted Foreign Direct Investment are South Africa, Egypt, Nigeria, Tunisia, Gabon and Zimbabwe. Nevertheless, the 33 poorest countries of Africa have, within the last few years, experienced an increase in the inflow of FDI, which rose from 20% to 25%. A recent study by UNCTAD has predicted better prospects in the inflow and

stated that the most valued destinations for the period 2000 – 2003 will be South Africa, Botswana, Côte d'Ivoire, Nigeria, Uganda and Tunisia.

Globalisation which requires countries to open up even more to transnational companies demands that the former should select companies with which they intend to transact business by putting across their needs: to attract investments and derive maximum benefit from them. In effect, unless the interests of host countries are sufficiently taken into account by the multinationals, there will be a greater danger of globalisation leading to crisis and the risk of calling into question the liberalisation of the economy.

Slow Down of Growth in the Insurance Sector and Deterioration of Results

The year just ended witnessed a trend towards a more pronounced globalisation of the insurance industry, even as Supervisory Authorities introduced more stringent Management rules and more refined solvency margins. For once, the African continent was not spared by this global trend which led to regulatory changes.

In effect, although the slow down in momentum observed in the insurance sector in 1998 was confirmed in the following year, mergers and acquisitions still continued even if at a less sustained rate than in the past. The drop in the premium income of certain major markets such as Japan was only partially absorbed by the growth recorded in Latin America and Africa. In fact, North America, Japan and Western Europe which, among them, generated more than 90% of the world premium, recorded a growth of less than 1% in 1998, a trend that seemed to have been confirmed in 1999.

The fierce competition among players due to the over capacity in insurance and reinsurance explains this stagnation despite the increase in the sum assured and the insurable risk.

Thus, a number of professionals, in the absence of the costly catastrophic losses, started dreaming of a financial crisis which would result in the mopping up of the enormous existing capacities and, therefore the return to the fundamental criterion of prudent and informed rating. However, the expected reduction has not measured up to the required magnitude, although there was a hardening of terms and conditions towards the end of the last quarter of 1999. Generally, international reinsurance market players have remained passive, hoping that sanitation will result from competitive initiative, as each of them is only concerned with preserving its market shares. It is true that the profitable results recorded within the last few years have been due more to the good fortune of insurers and reinsurers than any strict and imaginative managerial talents.

Understandably, such a period of low loss experience in all classes with an exceptional growth in the capital markets cannot but be favourable to Executives, especially those who are, to some extent, self-demanding. However, it remains equally true that poorly capitalised or badly managed companies have disappeared, aided by supervisory criteria that have become more stringent. These companies were soon replaced by new entities established by experienced professionals or enjoying the confidence of institutional and private investors. In effect, it is symptomatic to note that despite the relatively high minimum capitalisation required by CIMA (US$ 1million), given the market potential, the number of new companies has been constantly on the rise.

That explains why the status quo ante was maintained during the renewal of the 2000 programmes whose profitability is dangerously on the decline. Some selective rate increase has been imposed especially in the retrocession sub sector following capacity reduction. The announced changes in underwriting policy did not take place, because the earlier mentioned overcapacity persisted. Electronic commerce, which has just erupted into the reinsurance market following the opening of Internet sites with traditional capacities, is revolutionising the sector.

Supervisory Authorities of several African countries have introduced more stringent solvency ratio and other capitalisation management norms or criteria for the choice of Executives. Thus, apart from demanding that henceforth, reinsurers operating in the market should have a minimum rating (BBB from Standard and Poor's or A+ from AM Best), Egypt has also legislated that direct insurers must have a minimum capital of 30 million Egyptian pounds (about US$ 8.8 million) instead of the 2 million (US$ 0.6 million) previously required. Furthermore, it fixed the solvency margin of direct insurance companies at 20% of net premium or 25% of net losses, whereas member countries of CIMA insist on the 2 methods of computation (20% of net premium + 25% of net losses). Similar principles apply to South Africa, Kenya, Morocco, Nigeria, Tunisia and Uganda to mention but a few.

On its part, Africa Re had a difficult year not only in terms of production but also due to the major losses recorded. Thus, the production figure of US$ 70.92 million recorded in 1999 would have been higher were it not for the rise of the Corporation's unit of account (US$) against all currencies in general and African currencies in particular. Indeed, the trading currencies, which generated 80% of its production,

depreciated between the range of 4.67% to 49.57%. Had the exchange rate been constant or fluctuated moderately, the rate of production growth over 1998 would have been about 13.90% instead of the 7.25% achieved.

Furthermore, 1999 was characterised by several major losses in Mauritius (Fire, Drought/cyclone, Riots), Madagascar (Fire, Marine cargo/hull), Côte d'Ivoire (Marine cargo and Fire), Cameroon (Marine cargo), Egypt (Aviation), Kenya and Nigeria (Fire).

These events demonstrate that the age where African markets were spared from unbridled competition and the inexorable deterioration of technical results is over. Conscious of this new challenge, the Board of Directors and Management intend to reposition the Corporation and further enhance its performance as a commercial entity capable of sustaining comparison with the renowned players in the world reinsurance industry. To that end, some changes must be made in its structure and shareholding and the members will, in due course, resolutely effect and follow up these changes.

OPERATIONS

As in the past, the Corporation has been operating from its Head Office, three Regional and two local offices. For operational and reporting purposes, acceptances are classified as below:

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

The geographical classification of the production centres is as follows:

- Anglophone West Africa managed from the Head Office
- Francophone West and Central Africa covered by the Abidjan Office
- North Africa attended to by the Casablanca Office
- East and Southern Africa serviced by the Nairobi Office, which also supervises the Johannesburg and Mauritius contact offices.

Business from non-African sources is referred to as " inward international " or "worldwide" and may be written by all production centres. The Head Office also manages the Corporation's Retrocession programmes (the African Surplus Treaty and Excess of Loss), the African Aviation Pool and African Oil & Energy Insurance Pool.

The data below highlights the performance of the Corporation:

DESCRIPTION (US$000)	1999			1998		
	GROSS	RETRO	NET	GROSS	RETRO	NET
INCOME						
PREMIUM (Less Cancellations)	70,920	5,041	65,879			
MOVEMENT IN PREMIUM RESERVE	5,963	2,719	3,244			
EARNED PREMIUM	76,883	7,760	69.123			
OUTGO						
LOSSES PAID	41,763	4,713	37,050			
MOVEMENT IN LOSS RESERVE	11,139	4,211	6,928			
INCURRED LOSSES	52,902	8,924	43,978			

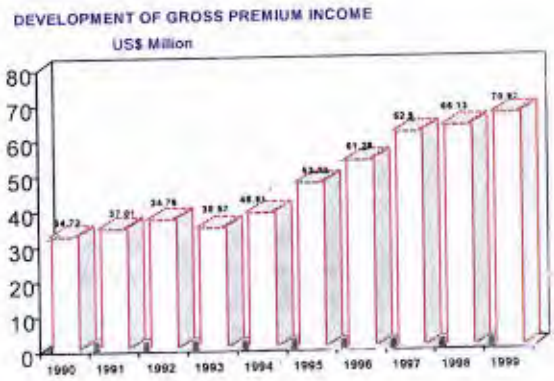
PREMIUM INCOME

The Corporation recorded a total premium income of US$70.92 million in 1999, which represents an increase of 7.25% over the corresponding figure of US$66.13 million generated in 1998. Indeed, but for the appreciation of the Corporation's Unit of Accounts – the United States Dollar against most of the local currencies in the trading areas, the level of achievement would have been even more commendable. In the years ahead, it is expected that the cumulative impact of the Corporation's marketing drive would manifest, to even a greater degree.

It must, however, be admitted that the intense competition in the industry would necessarily affect the Corporation's market share. Another possible limitation to the Corporation's desire to raise the level of its production is the ongoing sanitation, which has forced companies to raise the levels of their retentions. As would be expected, this development has resulted in the reduction of cessions to reinsurers. As much as possible, the emerging scenario would be factored into the Corporation's marketing strategy to ensure that its growth is not unduly affected.

DEVELOPMENT OF GROSS PREMIUM

As would be observed from the graph below, the premium income recorded in 1999 represents the highest level of achievement in the last ten years and, indeed, since the Corporation commenced business in 1978.



The evolution of Premium Income, in original currencies, shows an impressive growth. This performance may be attributed to a number of factors, principal among which were the following:

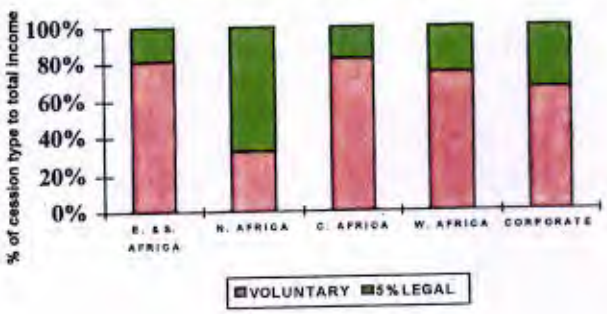
- A higher capitalisation level (shareholders' funds of US$ 50.2 million as at 31st December 1998).
- A review of the Corporation's reinsurance programme, which facilitated the acceptance of larger proportions of peak risks.
- Effective marketing strategy, which greatly improved the quality of services rendered to cedants. They were thus all too willing to increase cessions to Africa Re.

VOLUNTARY CESSIONS

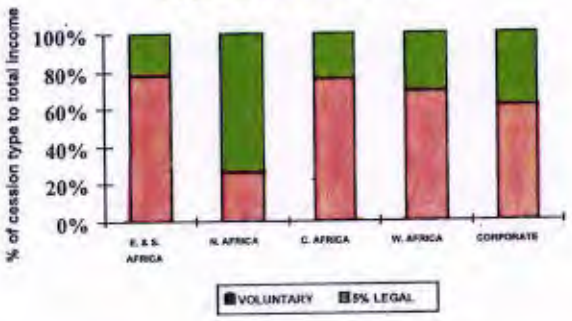
The graphs below indicate the levels of premium income accruing to the Corporation from additional business. Income from this source worked out to 66.12% in 1999 against 61.15% in 1998. As has already been indicated, the Corporation's marketing drive accounted for this achievement.

The graphs below provides further insight:

FINANCIAL YEAR 1999



FINANCIAL YEAR 1998



GEOGRAPHICAL DISTRIBUTION

The distribution of premium income by production centre follows the same pattern as in the previous years, with East and Southern Africa recording the highest income of US$29.79 million which represents 42.01% of the corporate premium income. This figure exceeds the 1998 income of US$27.31 million by 9.08%.

North Africa followed with a production of US$21.57 million. This works out to 30.41% of the corporate amount, and represents an increase of 5.74% over the income of US$20.40 million recorded in 1998.

Francophone West and Central Africa wrote a total premium income of US$9.28 million. This represents 13.09% of the corporate figure and translates to an increase of 3.11% over the US$9.00 million achieved in 1998.

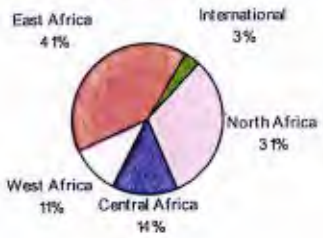
Income from Anglophone West Africa stood at US$7.62 million or 10.74% of the corporate figure. This amount shows an increase of 7.32% over the total receipts of US$7.10 million recorded in 1998.

The balance of US$2.66 million, or 3.75% of the premium income for the year under review, came from the international market, as against a contribution of US$2.32 million in 1998

FINANCIAL YEAR 1999

% of Gross Premium

FINANCIAL YEAR 1998



% of Gross Premium

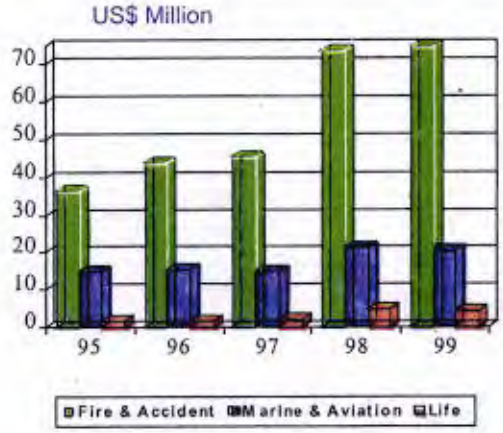
SECTORAL DISTRIBUTION

As in the previous years, the Fire and Accident classes generated the highest level of income of US$ 53.52 million, which represents 75.47% of the corporate income, as against a share of 74.13% in 1998. It is also worth noting that this income level represents an increase of 9.18% over the 1998 figure.

Marine and Aviation classes contributed a total of US$14.30 million, which was 1.49% above the level of US$14.09 million credited to this sector in 1998.

The balance of US$3.10 million came from Life business, which represents an increase of 2.98% above the premium of US$3.02 million recorded in 1998. This modest increase was due to the restructuring of the reinsurance programmes of some major clients, aimed at enhancing their retention, which naturally resulted in decreased level of cessions to the Corporation.

The foregoing observations are illustrated by the graph below:



OTHER INCOME

LONG-TERM INVESTMENTS

During the year, the Corporation received an amount of US$6,265 representing the 1998 dividend at the rate of 1.57% on the fully paid-up share in Afreximbank. As in the previous year, the Bank did not call the unpaid instalments on the shares subscribed. In continuation of the policy of selectively investing in viable companies with identifiable business development potentials, Africa Re acquired 4% of the capital of Societe Nouvelle d'Assurances Vie du Cameroun, a member of the Athena Afrique group. This is expected to further strengthen the existing business relationship with this group that has significant presence in a number of the markets where Africa Re is seeking to expand business operation.

INCOME FROM SHORT-TERM INVESTMENT AND OTHER SOURCES

A total of US$3.49 million accrued to the Corporation from bonds, money market deposits and other short-term investments, compared to US$3.48 million recorded in the previous year. Total investible funds fell from US$61.55 million in 1998 to US$54.40 million at the end of the year under review. The 11% reduction is due to the huge cash calls paid, especially in Mauritius and Cote d'Ivoire and the general deterioration in underwriting results, which reduced the amounts due from ceding companies. The Corporation, however, benefited from the higher interest rates in Europe and the United States to earn slightly better income in spite of the reduction in liquidity levels.

Interest on bonds during the year amounted to US$0.51 million compared to US$0.40 million earned in 1998, while term deposits and call accounts generated a total income of US$2.85 million as against US$2.94 million achieved in the previous year.

Fee income receivable on the management of the African Aviation and Oil & Energy Pools amounted to US$127,761 (1998:US$78,420). The increase is due, mainly, to the improvement on the premium income written by the pools.

OUTGO

LOSSES

In 1999, the total claims paid amounted to US$41.76 million, as against US$28.63 million in 1998, which worked out to 58.89% of written premium. This figure significantly exceeds the corresponding ratio of 43.29% recorded in 1998.

The incurred losses in 1999 amounted to US$52.90 million (1998: US$ 33.64 million), comprising paid losses of US$41.76 million (1998: US$ 28.63 million) and movement in reserve of US$11.14 million (1998: US$ 5.01 million).

GROSS LOSS RATIO BY CLASS - FINANCIAL YEAR 1999

CURRENCY: US$M

CLASS OF BUSINESS	REGIONAL BUSINESS			INTERNATIONAL INWARD			CORPORATE			1998
	Loss Incurred	Earned Premium	Loss Ratio %	Loss Incurred	Earned Premium	Loss Ratio %	Loss Incurred	Earned Premium	Loss Ratio %	Loss Ratio %
Fire & Accident (Including Eng.)	44.45	60.24	73.79	1.59	2.37	67.09	46.04	62.61	73.53	52.62
Marine & Aviation	4.66	10.74	43.38	0.17	0.49	34.69	4.83	11.23	43.01	51.35
Life	2.03	3.04	66.78				2.03	3.04	66.78	49.00
TOTAL	51.14	74.02	69.09	1.76	2.86	61.54	52.90	76.88	68.81	52.18

LOSS EXPERIENCE BY TRADING AREA:

- Anglophone West Africa Division returned a loss ratio of 39.17% in 1999, which is higher than the level of 28.98% recorded in 1998.
- Francophone Africa's loss ratio rose to 39.32% in 1999, from a level of 36.72% in 1998
- North Africa recorded a ratio of 46.37% which is slightly higher than the figure of 45.39% in 1998
- East and Southern Africa had a significant increase in loss ratio, from a level of 47.01% in 1998 to 83.38% in 1999. This is attributed to the cumulative impact of the major losses that hit the region in 1998 and 1999.

COMMISSION AND CHARGES

Commission and charges, net of reinsurance amounted to US$20.62 million in 1999 as against US$20.53 million in 1998. The net commission ratio therefore improved from 32.88% in 1998 to 31.31% in 1999, due to the application of the profit commission clause in the African Surplus reinsurance programme.

MANAGEMENT EXPENSES

Management expenses charged to the underwriting revenue account for the year amounted to US$4.19 million compared to US$4.20 million recorded in the previous year. The Corporation continued with the cost control measures introduced in 1998, while the strengthening of the US Dollar against the operating currencies led to some cost savings.

The ratio of management expenses to net premium therefore improved from 6.73% in 1998 to 6.36% in 1999. With deteriorating technical results, cost control is going to play a greater role in the determination of the Corporation's overall performance. Accordingly, Africa Re will continue to strive to further reduce the management expense ratio in line with internationally acceptable standards.

OTHER EXPENSES NOT CHARGED TO THE UNDERWRITING REVENUE ACCOUNT.

The cost of the statutory meetings held in 1999 amounted to US$367,024 compared to US$409,176 incurred in 1998. The 10% reduction resulted from savings in travel costs due to the more central location of the 1999 meetings. Audit fees amounted to US$40,000 while depreciation charge for the year stood at US$249,220 as against US$272,555 for the previous year.

RESULTS OF THE CLOSED UNDERWRITING YEAR 1997

The Corporation continued to apply the policy of deferring the recognition of net income on an underwriting year for three financial years. Accordingly, the 1997 underwriting year, which had been open for the past three years was closed on 31 December 1999.

Total premium income for the underwriting year amounted to US$56.59 million compared to US$59.35 million recorded for 1996. Retrocession premiums stood at US$2.82 million as against US$6.30 million ceded for underwriting year 1996, leaving a retained premium of US$53.77 million (1996:US$53.05 million). The retention ratio therefore improved from 89.38% in 1996 to 95.01%, reflecting the restructuring of the African Surplus treaty in line with the Corporation's increased retention capacity.

Claims paid, net of reinsurance recoveries amounted to US$21.05 million (1996:US$18.31 million) representing a claims ratio of 39.14% (1996:34.52%). Net commission and charges stood at US$15.66 million as against US$16.29 million in 1996, producing a ratio of 29.12% (1996:30.71%).

Total management expenses charged to the underwriting year stood at US$4.18 million (1996:US$3.84 million) generating a technical surplus

of US$12.06 million compared to US$13.69 million in the previous year. In accordance with the existing basis for the computation of reserves, an amount of US$11.71 million was established to cover the outstanding claims, including IBNR for the 1997 underwriting year. The balance of US$0.35 million representing the underwriting surplus was transferred to the profit and loss account.

RESULTS OF THE 1999 FINANCIAL YEAR

Gross written premium for the year amounted to US$70.92 million translating to a 7.25% increase over the US$66.13 million written in the previous year. The stiff competition and soft market conditions noted in 1998 continued throughout the year under review. In addition, the robust American economy and the strength of the Dollar led to significant deterioration in the exchange rates of most of the Corporation's trading currencies.

Retained premium increased by 5.51% from US$62.44 million in 1998 to US$65.88 million, representing a retention ratio of 92.89% compared to 94.43% in the previous year. The increase in the level of reinsurance cover resulted from the additional excess of loss backup cover purchased during the year in response to the observed trends in the claims experience, as well as the special retrocession arrangement on some of the higher acceptances. Paid claims, net of reinsurance recoveries stood at US$37.05 million compared to US$28.12 million recorded in 1998, representing a claims ratio of 56.24% (1998:45.04%). With a dozen major losses recorded in East and Central Africa during the year, the 1999 claims ratio represents the worst claims experience in the history of the Corporation. Commission and other charges amounted to US$20.62 million (1998:US$20.53 million) or 31.31% (1998:32.88%) of net premium.

Total underwriting outgo for the financial year amounted to US$57.67 million, which is an increase of 18.5% compared to the US$48.65 million recorded in 1998, while management expenses practically stabilised at about US$4.2 million. Accordingly, the excess of income over outgo plunged to US$4.02 million as against US$9.59 million achieved in 1998. While a reserve of US$6.93 million was established during the year to cover outstanding claims, the reinsurance fund in respect of the open underwriting years reduced by US$3.24 million.

The net underwriting income for the 1999 financial year therefore amounted to US$0.33 million compared to US$3.63 million achieved in 1998.

Income from investment and other sources stood at US$3.49 million as against US$3.48 million in the previous year, while interest on reinsurance deposits generated US$0.98 million (1998:US$1.00 million). The Corporation recorded an exchange loss of US$ 0.28 million compared to a gain of US$ 0.23 million in the previous year. Overall profit for the financial year amounted to US$ 3.87 million as against US$ 7.41 million achieved in 1998.

APPROPRIATION OF RESULTS

As has already been reported, the year under review was characterised by major claims and exchange fluctuation losses. Desirous to further consolidate the financial base of the Corporation, the Board recommends that the net result be appropriated as follows:

- US$1,937,011 to the General Reserve in accordance with Resolution N° 4/1992 ;
- US$700,000 to Other Reserves including the reserves for loss and exchange fluctuations ;
- US$1,237,012 to be carried forward.

21st Africa Re Annual General Assembly, Addis Ababa, Ethiopia

Akintola Williams & Co

Chartered Accountants
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P. O. Box 965, Lagos
Nigeria

Tel: (01) 4930720-4
Fax: (01) 4970023

EXTERNAL AUDITORS' REPORT

TO THE SHAREHOLDERS OF AFRICAN REINSURANCE CORPORATION

We have audited the accompanying financial statements of **African Reinsurance Corporation** as at 31 December, 1999, which have been prepared on the basis of the accounting policies set out on page 28 The directors are responsible for the preparation of the financial statements. Our responsibility is to express an independent opinion on these financial statements based on our audits.

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Corporation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of African Reinsurance Corporation at 31 December, 1999 and the results of its operations and its cash flows for the year ended 31 December, 1999 in conformity with International Accounting Standards.

Akintola Williams & Co

Lagos, Nigeria
10 April, 2000

AFRICAN REINSURANCE
BALANCE SHEET AT

ASSETS	Note	1999 US$	1998 US$
Cash and Short Term Maturities	3	14,295,066	12,535,628
Investments	4	42,006,673	50,875,271
Amounts due from companies on Reinsurance Accounts		23,644,642	25,009,357
Deposits retained by Ceding Companies		36,447,924	34,138,398
Sundry Debtors, Accrued Interest and Prepayments		1,628,949	1,092,286
FIXED ASSETS	5	12,259,016	9,059,915
RETROCESSIONAIRES' SHARE IN RESERVE FUNDS	11	15,326,649	13,835,056
		145,608,919	146,645,911

Musa AL NAAS
Chairman

The accompanying notes form an integral part of this statement

CORPORATION
31ST DECEMBER 1999

LIABILITIES, CAPITAL AND RESERVES	Note	1999 US$	1998 US$
Other Creditors, Accruals & Provisions		686,975	755,549
Dividend Payable	6	945,219	1,396,088
Amounts due to Companies on Reinsurance Accounts		10,428,156	15,816,464
Deposits due to Retrocessionaires		2,995,831	2,872,827
		15,056,181	20,840,928
Term Loan	7	**700,000**	900,000
PAID-UP CAPITAL	8	23,707,500	23,082,500
RESERVES			
Share premium		5,007,747	4,403,562
General Reserve		20,662,836	18,726,825
Other Reserves	9	5,994,238	5,294,238
Retained Earnings		4,493,343	8,256,331
Cumulative Translation Adjustment	10	(9,777,890)	(9,546,012)
		26,380,274	27,133,944
SHAREHOLDERS' FUNDS		**50,087,774**	50,216,444
REINSURANCE AND RESERVE FUNDS	11	**79,764,964**	74,588,539
		145,608,919	146,545,911

Bakary KAMARA
Managing Director

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE
PROFIT & LOSS ACCOUNT FOR THE YEAR

EXPENDITURE	Note	1999	1998
		US$	US$
General Assembly and Board of Directors' Meetings		367,025	409,176
Audit Fee		40,000	36,000
Depreciation and Amortisation	5	249,220	272,555
Other Expenses and Provisions		-	208,736
Profit for the Year		3,874,023	7,410,642
		4,530,268	8,339,109
APPROPRIATIONS:			
Proposed Dividend		-	692,475
Transfer to Cumulative Translation Adjustment	10	5,000,000	500,000
Transfer to Reserves	12	2,637,011	5,005,321
Retained Earnings at 31st December		4,493,343	8,256,331
		12,130,354	14,454,127

The accompanying notes form an integral part of this statement

CORPORATION
ENDED 31ST DECEMBER, 1999

INCOME	1999 US$	1998 US$
Underwriting Profit	333,797	3,630,939
Income from Investments and Other sources	3,489,830	3,482,566
Interest on Reinsurance Deposits	983,631	996,588
Realised (loss) / gain on Exchange	(276,990)	229,016
	4,530,268	8,339,109
Retained Earnings at 1st January	8,256,331	7,043,485
Profit for the Year	3,874,023	7,410,642
	12,130,354	14,454,127

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE
REVENUE ACCOUNT FOR THE YEAR ENDED

OUTGO	Gross	Retrocession	NET	NET
			1999	1998
	US$	US$	US$	US$
LOSSES PAID	41,762,937	4,713,399	37,049,538	28,123,494
Add:				
Outstanding Loss Reserve at the end of the year	43,036,731	13,090,939	29,945,792	23,017,549
Deduct:				
Outstanding Loss Reserve at the beginning of the year	31,897,785	8,880,236	23,017,549	19,034,975
LOSSES INCURRED	52,901,883	8,924,102	43,977,781	32,106,068
COMMISSIONS	21,698,272	2,610,841	19,087,431	19,430,605
CHARGES	1,551,262	14,821	1,536,441	1,100,430
	76,151,417	11,549,764	64,601,653	52,637,103
MANAGEMENT EXPENSES			4,187,398	4,199,906
Underwriting Profit transferred to Profit & Loss Account			333,797	3,630,939
			69,122,848	60,467,948

The accompanying notes form an integral part of this statement

CORPORATION
31ST DECEMBER 1999

INCOME	Gross	Retrocession	NET	NET
			1999	1998
	US$	US$	US$	US$
PREMIUM NET OF CANCELLATIONS	70,920,129	5,040,692	65,879,437	62,440,253
Add:				
Reinsurance Fund at the beginning of the year	42,690,754	4,954,820	37,735,934	35,763,029
Deduct:				
Reinsurance Fund at the end of the year	36,728,233	2,235,710	34,492,523	37,735,934
EARNED PREMIUM	76,882,650	7,759,802	69,122,848	60,467,948
			69,122,848	60,467,948

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE CORPORATION
UNDERWRITING RESULTS BY CLASS OF BUSINESS
FOR THE YEAR ENDED 31ST DECEMBER 1999

	Fire and Accident	Marine and Aviation	Life	TOTAL 1999	TOTAL 1998
	US$	US$	US$	US$	US$
Underwriting Income:					
Gross Premium	53,517,191	14,306,153	3,096,785	70,920,129	65,126,186
Less: Retrocession Premium	4,013,670	1,027,022	-	5,040,692	2,685,933
	49,503,521	13,279,131	3,096,785	65,879,437	62,440,253
Underwriting Outgo:					
Losses Paid	29,926,083	5,199,145	1,924,310	37,049,538	29,123,494
Commissions	13,873,885	4,553,181	660,365	19,087,431	19,430,605
Charges	1,126,523	349,047	60,871	1,536,441	1,100,430
Management expenses	3,159,862	844,690	182,846	4,187,398	4,199,906
	48,086,353	10,946,063	2,828,392	61,860,808	52,854,435
Excess of income over outgo	1,417,168	2,333,068	268,393	4,018,629	9,585,818
Reinsurance & Reserve Funds:					
At 1st January	40,924,107	16,844,348	2,985,028	60,753,483	54,798,604
	42,341,275	19,177,416	3,253,421	64,772,112	64,384,422
At 31st December (Note 11)	42,281,461	19,015,737	3,141,117	64,438,315	60,753,483
Underwriting Profit transferred to Profit & Loss Account	59,814	161,679	112,304	333,797	3,630,939

The accompanying notes form an integral part of this statement

AFRICAN REINSURANCE CORPORATION
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 1999

	1999	1998
	US$	US$
CASH FLOWS FROM OPERATIONS:		
Profit for the Year	3,874,023	7,410,642
Adjustments to reconcile operating profit to net cash generated from operations:		
Depreciation and Amortisation	249,220	272,555
Profit on sale of fixed assets	(8,307)	(7,870)
Reinsurance & Reserve Funds	3,684,832	5,954,879
Amounts due from Companies on Reinsurance Accounts	1,364,715	(3,748,376)
Deposits Retained by Ceding Companies	(2,309,526)	(2,428,406)
Sundry Debtors, Accrued Interest & Prepayments	(536,663)	868,067
Amounts due to Companies on Reinsurance Accounts	(5,388,308)	(321,274)
Deposits due to Retrocessionaires	123,004	(12,459)
Other Creditors, Accruals & Provisions	(68,574)	31,873
	(2,889,607)	606,989
Net Cash generated from Operations	**984,416**	8,019,631
Adjustments for non-cash items taken to Shareholders Funds:		
Cumulative Translation Adjustment	**(5,231,878)**	807,599
CASH FLOWS FROM INVESTING ACTIVITY:		
Proceeds on sale of Fixed Assets	15,002	38,774
Purchase of Fixed Assets	(3,455,018)	(3,647,333)
Investments made	8,868,598	(2,564,579)
	5,428,582	(6,173,138)
CASH FLOWS FROM FINANCING ACTIVITY:		
Proceeds on sale of Shares	1,229,185	1,171,485
Long Term Loan	(200,000)	900,000
Dividend Paid	(450,869)	(613,875)
	578,316	1,457,610
Net Increase in Cash and Short Term Maturities	**1,759,436**	4,111,702
CASH AND SHORT TERM MATURITIES:		
At 1st January	12,535,628	8,423,926
At 31st December	**14,295,066**	12,535,628

The accompanying notes form an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1999

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) mobilising financial resources from insurance and reinsurance operations;

(b) investing in Africa such funds to help accelerate economic development; and

(c) fostering the development of the insurance and reinsurance industry in Africa by promoting the growth of national, regional and sub-regional underwriting and retention capacities.

NOTE 2

ACCOUNTING POLICIES

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

(a) Revenue Recognition

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

(b) Underwriting Revenue Account and Reinsurance and Reserve Funds

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

(c) Currency Translation

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

(d) Investments

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

e) Fixed Assets and Depreciation

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

- *Freehold and Capital Leasehold Property*
  2% or over the leasehold period if less than 50 years.
- *Furniture, Fittings and Equipment*
  Between 12.50% and 33.33%
- *Motor Vehicles - 25%.*

(f) Debtors

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

(g) Management Expenses

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

NOTE 3

CASH AND SHORT TERM MATURITIES

The balances include an equivalent of **US$ 4,932,070** (1998: US$ **4,475,450**) representing short term deposits in member States' currencies.

NOTE 4

INVESTMENTS

Investments at cost which include Straight Bonds with a market value of **US$ 5,347,188** at 31st December, 1999 (1998: US$ **6,949,325**) are made up of:

	1999 US$	1998 US$
• Equity Participation		
Shelter-Afrique	1,020,000	1,020,000
The African Export - Import Bank	400,000	400,000
Others (Non-quoted companies)	477,722	438,009
	1,897,722	1,858,009
• Other Investments		
Straight Bonds	5,470,110	6,722,782
Short-term deposits	34,638,841	42,294,480
	40,108,951	49,017,262
	42,006,673	50,875,271

NOTE 5

FIXED ASSETS

	Fixed Assets in Progress	Freehold & Capital Leasehold Property	Furniture Fittings & Equipment	Motor Vehicles	Total 1999	Total 1998
	US$	US$	US$	US$	US$	US$
COST						
At 1st January	7,055,274	1,705,000	2,041,119	415,595	11,216,988	7,694,801
Additions during the year	2,044,134	644,286	694,089	72,509	3,455,018	3,647,333
Disposals during the year	(1,484)	-	(53,395)	(44,764)	(99,643)	(125,146)
At 31st December	9,097,924	2,349,286	2,681,813	443,340	14,572,363	11,216,988
DEPRECIATION						
At 1st January	-	134,864	1,754,090	268,119	2,157,073	1,978,760
Charge for the year	-	26,828	136,042	86,350	249,220	272,555
On disposals during the year	-	-	(48,719)	(44,227)	(92,946)	(94,242)
At 31st December	-	161,692	1,841,413	310,242	2,313,347	2,157,073
NET BOOK VALUE						
At 31st December	9,097,924	2,187,594	840,400	133,098	12,259,016	9,059,915

Included in Fixed Assets in Progress is an amount of US$8.22 million in respect of the Corporation's investment in the construction of the Headquarters building.

NOTE 6

DIVIDEND PAYABLE

	1999 US$	1998 US$
Balance at 1st January	1,396,088	1,317,488
Proposed Dividend	-	692,475
	1,396,088	2,009,963
Amount paid during the year	(450,869)	(613,875)
Balance at 31st December	945,219	1,396,088

NOTE 7

TERM LOAN

This represents the outstanding balance in respect of a loan of US$1,000,000 obtained from Shelter Afrique to part finance the construction of the Corporation's Headquarters building. The principal plus interest is repayable in ten equal half-yearly instalments, beginning from December 1998.

NOTE 8

CAPITAL STOCK AND PAID-UP CAPITAL

(i) The Authorised Capital of the Corporation is US$ 50 million made up of 5,000 shares of US$ 10,000 each. Two-thirds of the share capital is available for subscription by the Member States of the Organisation of African Unity and the African Development Bank, while the remaining one-third is available to national insurance and/or reinsurance institutions of the Member States.

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

	1999 US$	1998 US$
Capital Allotted and Subscribed	24,770,000	23,530,000
Called up and Unpaid	(1,062,500)	(447,500)
Subscribed and Paid-up Capital	23,707,500	23,082,500

NOTE 9

OTHER RESERVES

	Reserve for Exchange Fluctuation	Reserve for Loss Fluctuation	Total 1999	Total 1998
	US$	US$	US$	US$
Balance at 1st January	3,294,238	2,000,000	5,294,238	3,994,238
Transfer from Profit & Loss Account (Note 12)	500,000	200,000	700,000	1,300,000
Balance at 31st December	3,794,238	2,200,000	5,994,238	5,294,238

NOTE 10

CUMULATIVE TRANSLATION ADJUSTMENT

	1999 US$	1998 US$
Balance at 1st January	9,546,012	10,853,611
Translation Adjustment for the year	5,231,878	(807,599)
Transfer from Profit & Loss Account	(5,000,000)	(500,000)
Balance at 31st December	9,777,890	9,546,012

NOTE 11

REINSURANCE AND RESERVE FUNDS

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

	Fire & Accident US$	Marine & Aviation US$	Life US$	Total 1999 US$	Total 1998 US$
GROSS					
Reinsurance Fund	23,861,533	11,448,735	1,417,965	36,728,233	42,690,754
Reserve for outstanding claims	28,225,318	13,088,261	1,723,152	43,036,731	31,897,785
	52,086,851	24,536,996	3,141,117	79,764,964	74,588,539
LESS: Retrocessionaires' share in					
Reinsurance Fund	947,206	1,288,504	-	2,235,710	4,954,820
Reserve for outstanding claims	8,857,971	4,232,968	-	13,090,939	8,880,236
	9,805,177	5,521,472	-	15,326,649	13,835,056
Net Reinsurance and Reserve Fund	42,281,674	19,015,524	3,141,117	64,438,315	60,753,483

NOTE 12

TRANSFER TO RESERVES

Transfer to Reserves is made up of the following:

	1999 US$	1998 US$
General Reserve	1,937,011	3,705,321
Reserve for Exchange Fluctuation	500,000	500,000
Reserve for Loss Fluctuation	200,000	800,000
	2,637,011	5,005,321

NOTE 13

TAXATION

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

NOTE 14

RELATED PARTY TRANSACTIONS

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

NOTE 15

CAPITAL COMMITMENTS

Commitments in respect of approved capital projects at the end of the year amounted to US$1,371,700 (1998: US$3,217,864).

NOTE 16

CONTINGENT LIABILITIES

Contingent liabilities in respect of pending litigation and/or arbitration involving the Corporation for which no provisions have been made in these accounts amounted to US$283,963 (1998: Nil). However, the actions are being defended and the Directors are of the opinion that no material liability would arise therefrom.