

# 2011

Annual Report and Accounts



Expanding Frontiers



**CONTINENTAL  
REINSURANCE**

...sustainable trust

**Continental Reinsurance Plc.**

RC 73556

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**Board of Directors**

Engr. S. Akin Laguda  
Mr. D. Chemillier-Gendreau (*French*)  
Dr. Olufemi Oyetunji  
Mr. Rasak O. Falekulo  
Mr. Lawrence M. Nazare (*Zimbabwean*)  
Mr. Vincent Le Guennou (*French*)  
Mr. Hurley Doddy (*American*)  
Mr. David S. Sobanjo  
Ms. Nana Appiah-Korang (*Ghanaian*)  
Mr. Bakary H. Kamara (*Mauritanian*)

- Chairman
- Vice Chairman
- Managing Director/CEO
- Executive Director (Life)
- Executive Director (Non-Life)

**Company Secretary**

Mrs. Abimbola A. Falana

**Registered Office**

St. Nicholas House (8<sup>th</sup> Floor)  
6, Catholic Mission Street  
Lagos.

**Regional Offices****Cameroun Office**

Rue Ngosso Din Derriere Pharmacie  
De la Cote, Bali, Douala.

**Nairobi Office**

Phase 2 JUMUIA PLACE  
Lenana Road  
Nairobi, Kenya

**Auditors**

Ernst & Young,  
2A, Bayo Kuku Road,  
Off Alfred Rewane Road,  
Ikoyi, Lagos.

**Solicitors**

Bayo Osipitan & Co.  
2A, Ireti Street  
Yaba, Lagos.

**Registrars**

Sterling Registrars Limited,  
24, Campbell Street  
Lagos.

**Bankers**

Stanbic IBTC Bank Ltd  
Zenith Bank Plc  
Guaranty Trust Bank Plc  
Ecobank, Douala  
United Bank for Africa Plc, Douala  
Union Bank of Cameroun, Douala  
United Bank for Africa Plc, Abidjan  
NIC Bank, Nairobi  
HSBC

## FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2011

=N= millions, unless otherwise stated	2010	2011	change in %
<b>Non-Life</b>			
Premium earned	8,565	8,414	-2%
Combined ratio in % (Net of Retro)	82.72%	84.31%	2%
<b>Life</b>			
Premium earned	1,391	1,838	32%
<b>Investment</b>			
Investment income (Net of Provision)	981	972	-1%
Return on investment in %	9.3%	8.9%	
<b>Total</b>			
Premium earned	9,956	10,252	3%
Net income	1,230	1,233	-%
Earnings per share in kobo	12	12	
Shareholders' equity	11,619	11,955	3%
Return on equity <sup>1</sup> in %	10.6%	10.3%	
Number of employees <sup>2</sup>	53	54	2%

<sup>1</sup>Return on equity is calculated by dividing annualized net income attributable to common shareholders by average common shareholder's equity.

<sup>2</sup>Permanent staff

### Financial strength ratings

as at 31 December, 2011

Ratings

Outlook

A.M Best

B+

Secure

### Share Performance

#### Market Capitalization as at 25 April, 2012

Share price in =N=

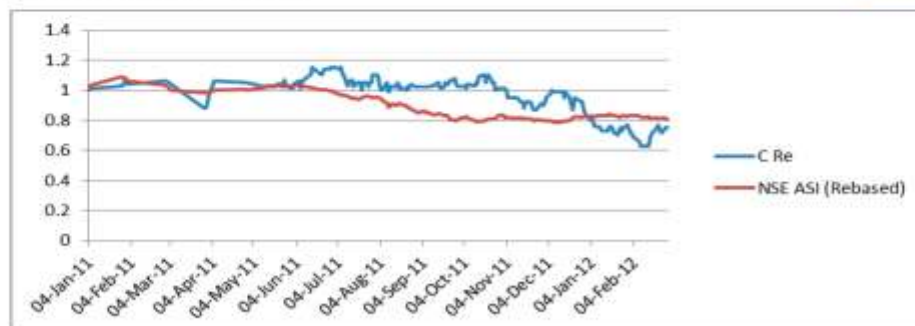
Number of Shares (Billion)

Market capitalisation in =N= Bn

0.80

10.37

8.30



**NOTICE IS HEREBY GIVEN** that the Twenty fifth Annual General Meeting of members of CONTINENTAL REINSURANCE PLC will be held at Victoria Crown Plaza (VCP) Hotel, 292b, Ajose Adeogun Street, Victoria Island, Lagos on Wednesday, July 18, 2012 at 11.00 a.m. to transact the following businesses:

**ORDINARY BUSINESS**

1. To receive the Report of the Directors and the Audited Financial Statements for the year ended December 31, 2011 together with the reports of the Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To re-elect retiring Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

**SPECIAL BUSINESS**

6. To fix the remuneration of the Directors for the year ending December 31, 2012.
7. To consider and, if thought fit, to pass the following as a special resolution:

“That subject to the approval of the authorities, and pursuant to Article 15 (f) of the Company's Articles of Association, 5% of the Company's existing Paid-Up Share Capital, representing 518 million ordinary shares of 50 kobo each, be allocated to a Management Share Ownership Plan out of the Unissued Authorized Share Capital of the Company and that the Directors be and are hereby authorized to grant options to eligible staff upon terms and conditions as the directors may determine.

BY ORDER OF THE BOARD



Abimbola A. Falana (Mrs.)  
Company Secretary

**Registered Office:**  
6, Catholic Mission Street,  
Lagos.

Dated: June 18, 2012

**Notes:****1. Proxy**

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. To be valid for the purpose of the meeting, the Proxy Form, which is in this Annual Report must be completed, duly stamped by the Commissioner for Stamp Duties and deposited at the registered office of the Registrars, Sterling Registrars Limited, 24, Campbell Street, Lagos not less than 48 hours before the time fixed for the meeting.

**2. Closure of Register**

The register of members and transfer books will be closed from Monday, July 9, 2012 to Friday, July 13, 2012, both days inclusive, to enable the Registrars prepare for the payment of dividend.

**3. Payment of Dividend**

If the dividend recommended by the Directors is declared, dividend will be paid on Thursday, July 19, 2012 to shareholders whose names are registered in the Company's Register of Members at the close of business on Friday, July 6, 2012.

To facilitate the payment of dividend electronically, shareholders who have not completed the e-dividend Mandate Form are encouraged to do so. An e-dividend Mandate Form is in this Annual Report.

**4. Unclaimed Dividend**

A list of shareholders who are yet to claim their dividend(s) is being circulated with this Annual Report. Members who have still not claimed their dividend(s) are advised to write to or call at the office of the Registrars, Sterling Registrars Limited, 24, Campbell Street, Lagos.

**5. Nominations for Audit Committee**

The Audit Committee is comprised of three (3) Directors and three (3) Shareholders' representatives. In accordance with Section 359(5) of the Companies and Allied Matters Act, Cap C20, LFN 2004, any shareholder may nominate a shareholder for election to the Audit Committee by giving notice of such nomination, in writing, to the Company Secretary at least 21 days before the Annual General meeting.

Continental Reinsurance Plc ("Continental Reinsurance" or "the Company") was incorporated in 1985 when it started business as a private reinsurance company in Nigeria. It commenced business as a general reinsurer in January 1987 and became a composite reinsurer in January 1990, offering Life and Non-Life reinsurance on both treaty and facultative bases and has a well-diversified business mix and customer base.

As part of the Company's strategy to be a leading reinsurance company in Africa, the Company was converted to a public limited liability company in 2000, and recapitalized to NGN 10 billion in 2007 with widespread ownership including international investors. On May 30, 2007, Continental Reinsurance was listed on the Nigerian Stock Exchange and since then operated as an international company managed by a crop of seasoned professionals and complying with international standards in its business dealings.

#### **OFFICE LOCATION**

The Company's head office is located in Lagos, Nigeria. The office also serves as a regional office along with other regional offices in Douala and Nairobi. After the Balance Sheet date and in line with its geographical expansion strategy the company opened a new regional office in Abidjan, Cote D'Ivoire in March 2012 to provide all classes of reinsurance and counter-insurance services connected with any class of insurance business to the Company's clients in the West Africa francophone region. The offices are strategically located in order to achieve the Company's objective of being a leading Pan-African reinsurer in Africa. The Lagos office covers Nigeria, other Anglophone West African countries, Angola and South Africa while the regional offices in Douala and Nairobi cover francophone denominated businesses in the Central African region and Eastern/Southern Africa businesses respectively. The company is progressing on obtaining a license for an office in Tunis, Tunisia that will cover businesses in North Africa and the Maghreb countries. The company currently has business activities in 46 African countries in view of its strategic positioning across Africa.

#### **PRODUCTS AND SERVICES**

The Company provides world class covers in all classes of reinsurance, basically non-life and life treaty and facultative reinsurance, backed by first class retrocessionaires in the London and African Reinsurance markets. The products and services offered by Continental Reinsurance cut across Accident, Energy, Fire, Marine, Liability and Life, both individual and group life.

The Company also has a well-managed investment portfolio with diversified investment focus in order to improve its profitability, meet future claim obligations, limit the Company's exposure to investment risk, preserve shareholders' capital and thereby maximize total return on investment.

In addition, the Company also provides top-class specialized training and development programmes to its esteemed clients in various classes of insurance and reinsurance portfolios, including fire, energy, business interruption, international reinsurance, life and pension, motor and general accident insurance and engineering/bond insurance.

#### **OUR PEOPLE**

The Company is well managed by a crop of highly talented, well trained and motivated professionals. People remain the most important asset of the Company. As a result there is a talent management platform in place that ensures availability of the right people who will continue to add value and ensure good returns to the stakeholders.

#### **CREDIT RATING**

Continental Reinsurance is rated by AM Best, London. In 2011 the Company's credit rating was upgraded to B+ (Good) due to remarkable improvement in its overall performance. This credit rating will assist the company to attract more businesses from the market. The new rating

attests to the significance of the Risk department that was created in 2009 and has since been managed by seasoned professionals.

**CORPORATE PERFORMANCE**

The Company's gross premium has grown at an average rate of over 45% since 2006. In 2011 the gross premium was N 10.4 billion while assets grew from NGN 18.7 billion in 2010 to NGN 20.4 billion.



## BOARD OF DIRECTORS

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- |                                |   |                                |
|--------------------------------|---|--------------------------------|
| 01. Engr. S. Akin Laguda       | - | Chairman                       |
| 02. Mr. D. Chemillier-Gendreau | - | Vice Chairman                  |
| 03. Dr. Olufemi Oyetunji       | - | Managing Director/CEO          |
| 04. Mr. Rasak O. Falekulo      | - | Executive Director (Life)      |
| 05. Mr. Lawrence M. Nazare     | - | Executive Director (Non-Life ) |
| 06. Mr. Hurley Doddy           | - | Director                       |
| 07. Ms. Nana Appiah-Korang     | - | Director                       |
| 08. Mr. Vincent LeGuennou      | - | Director                       |
| 09. Mr. David S. Sobanjo       | - | Director                       |
| 10. Mr. Bakary H. Kamara       | - | Director                       |

# KEY MANAGEMENT STAFF

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- 01. DR. OLUFEMI OYETUNJI - Managing Director/CEO
- 02. MR. RASAK O. FALEKULO - Executive Director (Life)
- 03. MR. LAWRENCE M. NAZARE - Executive Director (Non-Life)
- 04. MR. ALEXANDRE AQUEREBURU - Chief Risk Officer
- 05. MR. GEORGE NANDY - Regional Director (Nairobi)
- 06. MR. DANIEL MOUYAME - Regional Director (Douala)
- 07. MR. MUSA KOLO - DGM (Finance)
- 08. MR. KANMA OKAFOR - DGM (ICT)
- 09. MRS. ABIMBOLA A. FALANA - Company Sec./Legal Adviser
- 10. MR. STEVE ODIJUGO - Ag. Regional Director (Lagos)
- 11. MR. OLUSEGUN AJIBEWA - AGM (HR & Admin)
- 12. MRS. ADEBISI O. FADAIRD - AGM Technical Operations

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**Engr. S. Akin Laguda**  
Chairman

Distinguished Shareholders, ladies and gentlemen, it gives me great pleasure to welcome you, on behalf of the Board of Directors, to the 25th Annual General Meeting of Continental Reinsurance Plc. In the course of this meeting today, I shall be presenting to you the Annual Report and Financial Statements for the financial year ended December 31, 2011.

I would like to use this opportunity to also apprise you with developments within the business and operating environment that prevailed during the year under review.

#### **BUSINESS AND OPERATING ENVIRONMENT**

The global economy experienced a slowing down of activity in 2011. According to the *World Economic Outlook* released by the International Monetary Fund, global activity has weakened and become more uneven, confidence has fallen sharply and downside risks are growing. Against a backdrop of unresolved structural fragilities, a barrage of shocks hit the international economy during the year. Japan was struck by the devastating Great East Japan earthquake and tsunami, and unrest swelled in some oil-producing countries.

Apart from the problem of slowing down of activity, the global economy also experienced a renewed financial instability driven by concerns about developments in the euro zone and the strength of global activity, especially in the United States. The European debt crises, coupled with weak demand and mild fiscal contraction in the US, slowed global growth. However, developing and emerging economies, led by China and India, recorded impressive performance in the year.

Developments in the Nigerian financial system were influenced by the monetary policy stance of the CBN, which aimed at containing inflationary pressure arising from huge fiscal expansion and anticipated rise in global energy and food prices. Accordingly, monetary policy was restrictive and led to a modest growth in money supply, particularly, credit to the economy.

Oil price in the international market was consistently high throughout the year and this resulted in the price being above the benchmark of US \$75/barrel set for the 2011 budget. There was improved oil production due to the relative peace that was maintained in the oil-producing area following the implementation of the amnesty program of the Federal Government.

The Nigerian capital market did not record any significant recovery in 2011 following the decline that was experienced as a result of the global financial and economic problems of previous years.

For the global insurance industry, the year 2011 would go down in history as one of the worst in natural catastrophes with an anticipated cost of hurricanes, tsunamis, earthquake, volcanoes and floods placed at over US \$105 billion. In fact, the total cost of damage to the economies of the regions affected by these loss events have been estimated to be close to US \$350 billion.

The responses from the international reinsurance market are being felt through increases in property reinsurance costs with the January 1, 2012 renewals. However, the rate increases were focused more on those areas where losses have originated.

Generally, non-life re-insurance experienced growth but disappointing profits while global life insurance premiums fell in 2011, following a short-lived recovery in 2010. The life industry's capitalization has however, improved significantly and is better than before the 2007 crises. The industry is well prepared to cope with a challenging future. The African re-insurance market continues to maintain relative stability in growth and profitability during 2011.

#### **FINANCIAL RESULT**

Despite the challenges posed by the operating environment during the year under review, your company was generally able to record a modest improvement in its overall financial results.

Profit before tax grew marginally by 0.7% from NGN 1.585 billion in 2010 to NGN 1.597 during the year under review. Gross premium income recorded was NGN 11.647 billion, similar to the NGN 11.645 billion recorded in 2010. These figures appear to show nil growth, mainly because of the significant accounting changes we introduced in 2010. These changes were necessary to bring us in line with international reinsurance accounting standards. In actual fact, ignoring the treatment of changes in accounting, in 2011 the business has been growing at combined rate of 20% with 16% for non-life and 55% for life.

Investment income decreased slightly by 1% from NGN 982 million in 2010 to NGN 972 million in 2011 due principally to the downward pressures on the Nigerian Stock Exchange index. Management expenses increased by 5% from NGN 820 million in 2010 to NGN 861 million in 2011.

Total Assets and shareholders' funds both increased by 9% and 3% respectively. While total assets increased from NGN 18.791 billion in 2010 to NGN 20.496 billion in 2011, shareholders' funds increased from NGN 11.619 billion in 2010 to NGN 11.955 billion in 2011.

#### **DIVIDEND**

Despite the marginal improvements recorded in our overall financial performance, we are committed to continuously improve returns to our shareholders. In view of this, Directors have recommended a cash dividend of 8 kobo per share for the financial year ended December 31, 2011. This represents an increase of about 7% over 7.5 kobo paid in 2010.

#### **BOARD CHANGES**

There was no change in the board of the company during the year under review. However, since the balance sheet date, Mr. Monin Adam, Executive Director, Finance resigned from the services of the company and from the Board of Directors with effect from April 9, 2012. On behalf of the Board, I wish to thank him for his meritorious service to the company and wish him well in his future endeavors.

**STAFF**

Our Company is managed by a crop of highly talented, well trained and motivated professionals. People remain the most important resource of the Company; as a result, there is a talent management platform in place to ensure availability of the right people who will continue to add value and ensure good returns to shareholders.

**FUTURE OUTLOOK**

Distinguished shareholders, I am delighted to inform you that your company is now very well positioned for the future. We have already commenced the implementation of a five year strategic plan spanning 2012 to 2016.

This plan seeks amongst other things to make our company the premier pan-African reinsurer. During this period, we would consolidate on our geographical expansion within strategic locations in Africa. This would bring us close to our customers and enable us serve them better. We expect that by doing this, we would grow our income and profitability as we continuously improve our underwriting quality and standards.

One key feature of our strategic plan is the improvement of our risk management environment to meet international standards and ensure the long-term sustainability of the company. This actually conforms to the present directive of the National Insurance Commission based on the recently released risk management guideline.

Your company is facing the future with renewed spirit, renewed thinking and renewed vigour.

**CONCLUSION**

I would like to end this statement by thanking every one of you for the support the Company has continued to enjoy over the years. Without this, it would be difficult to build a company of your dream.

Distinguished shareholders, I am delighted to inform you that I will be stepping down from the Board as the last of the founding fathers of the Company on the Board. As this will be my last Annual General Meeting with you as a Director and Chairman of the Board, I thank you for having given me the opportunity to serve you over the years and enjoin you to continue to lend your support to the Board and the management and to keep the Continental Reinsurance flag flying high.

My appreciation also goes to the members of the Board of Directors for their co-operation and the harmony we enjoyed on the Board during my tenure. Finally, I thank the executive management and staff for their tireless efforts in making Continental Reinsurance the pride of Africa.

Above all, I give thanks to the Almighty God for the peace and success He has graciously given us.

Thank you.



Engr. Akin Laguda  
Chairman

## INTRODUCTION

This section seeks to review and analyse the operating results of the company with the objective of fully explaining business operation to help for a better understanding of the company's performance.

## REVIEW OF OPERATIONS

As a composite reinsurance company, Continental Reinsurance Plc continues to accept general business (Non-Life) from Nigeria and other African countries with Life business coming substantially from Nigeria.

In order to have a proper focus and better service delivery, the technical and underwriting operations continue to be structured along regional lines as follows:

- Lagos Office covering Nigeria, other Anglophone West African countries, Angola and South Africa.
- Douala Office covering Francophone Central and West Africa.
- Nairobi Office covering East and Southern Africa excluding South Africa.

In addition to the above offices, Abidjan Office which will cover Francophone West Africa started operations in March, 2012 while the Tunis Office to cover the Maghreb states is awaiting regulatory approvals and expected to come on stream during the second quarter of 2012. In 2012 also, the Nairobi Office is expected to become a full fledged legal entity to operate as a subsidiary in compliance with the local regulatory requirements.

For reporting purposes however, the business is arranged along the following business lines

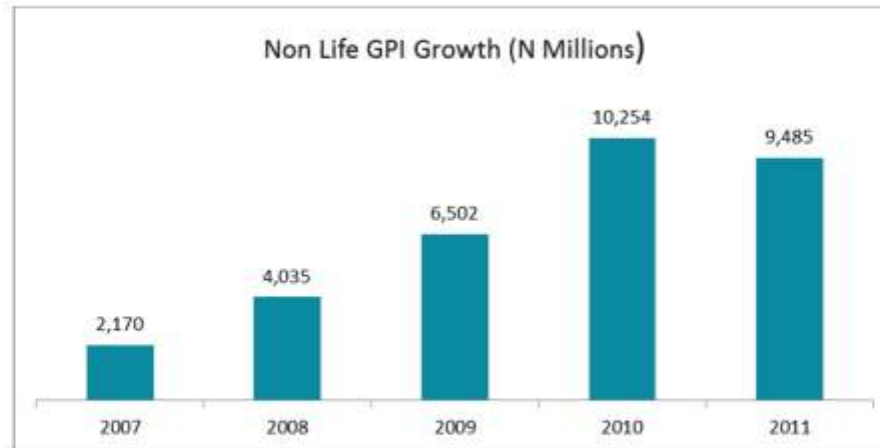
- Fire which covers CAR/EAR, Bond and Engineering
- General Accident
- Marine which includes Aviation
- Liability
- Energy
- Life comprising Individual and Group Life

## NON-LIFE BUSINESS

### PREMIUM INCOME

The 2011 Gross Written Premium is 8% lower than the 2010 figure inclusive of pipeline premiums. Excluding pipeline premium however, there was a 17% increase year-on-year. 2011 can be regarded as the transition year for the correction of the spike caused by the accounting policy change in 2010 to introduce pipeline premiums in line with international reinsurance accounting practice. This positive performance confirms Continental Reinsurance's steady business activities across the continent of Africa.

The 2011 Gross Written Premium was NGN 9.49 billion, inclusive of pipeline premiums and NGN 9.27 billion excluding pipeline premiums compared to NGN 10.25 billion and NGN 7.91 billion in 2010 respectively. The pie chart below shows Continental Reinsurance's steady Non-Life business growth in the last five years giving a 50% CAGR.

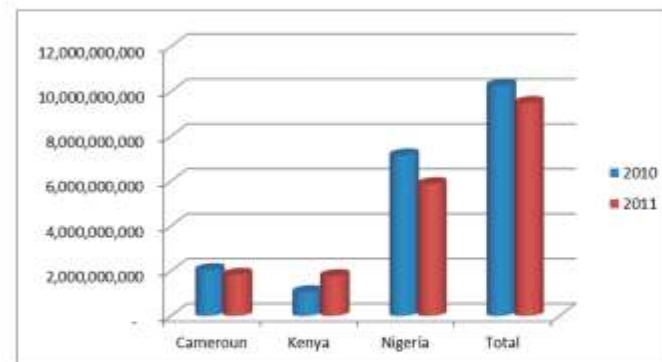
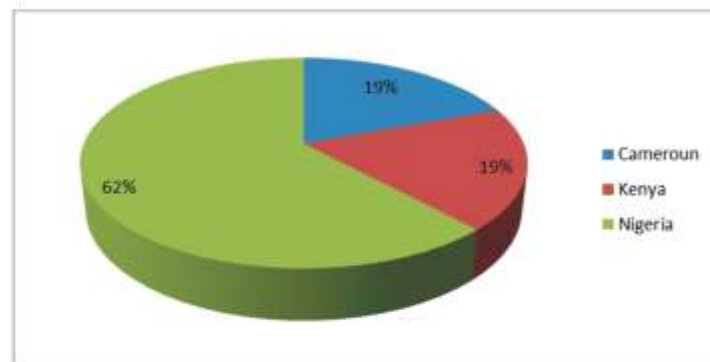


#### Geographical Distribution

The 2011 performance is a confirmation of the success of Continental Reinsurance's geographical expansion strategy which is helping to deepen penetration in our markets and spreading of risks. In addition to the three regional offices in Lagos, Nigeria, Douala, Cameroun and Nairobi, Kenya from which we operated in 2011, the Abidjan, Cote D'Ivoire office opened for business in March, 2012 to cover Francophone West Africa while regulatory approval is still being awaited for the Tunis office which is expected in the second quarter of 2012.

The Lagos office performance came down by 18% year-on-year and constitutes 62% of the total Non-Life business compared with last year's increase of 60% constituting 70% respectively. Also, Douala office operations recorded a 10% lower premium and constitute 19% of the business compared to last year's improvement of 26% constituting 20% respectively. On the other hand however, Nairobi office increased by 68% year-on-year and 19% of total from 161% and 10% respectively in 2010.

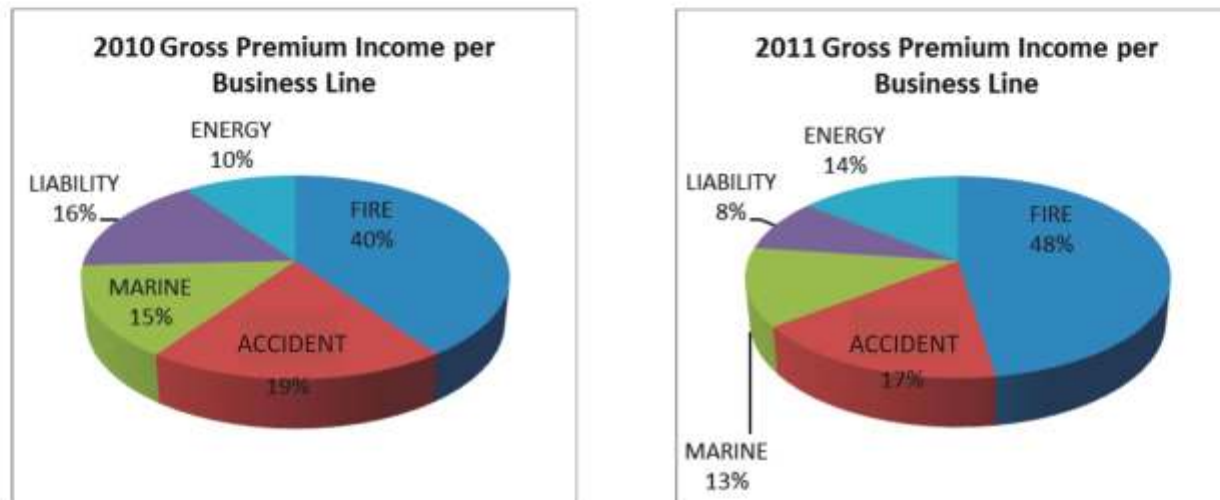
The Charts Below Show The Regional Performance



### LINES OF BUSINESS

The performance per lines of business in 2011 was mixed. Whereas Fire and Energy classes appreciated year-on-year, Accident, Marine and Liability classes recorded lower figures. Energy had the highest growth of 36% while Fire had a 10% increase. On the other hand, Accident dropped by 19%, Marine by 21% and Liability by 51%.

With the smoothening effect in 2011 of the impact of the introduction of pipeline premiums in 2010 and the ongoing regional expansion drive, we expect all the business classes to return to the path of growth in 2012. We expect to see even higher growth in the Energy business in 2012 and beyond once the Nigerian Petroleum Industry Bill (PIB) is passed into law and the other legislations by the Nigerian government meant to improve the investment climate in the sector and encourage local participation takes further root.



### COMBINED RATIO

The combined ratio for Non-Life operations inched up marginally by 1%, from 82% in 2010 to 83% in 2011 due mainly to the lower premiums recorded in 2011.

### CLAIMS

The Non-Life Gross Claims paid in 2011 was NGN 3.04 billion, a 24% increase from the NGN 2.45 billion recorded in 2010 caused by a few large claims recorded in 2010. However, net of reserves for outstanding claims and retrocession recoveries, the Net Claims Incurred of NGN 3.64 billion in 2011 is 9% lower than NGN 3.70 billion recorded in 2010 due mainly to a lower reserve figure based on the nature of claims experience which can be described as "typical".

Gross Claims ratio worsened from 24% in 2010 to 32% in 2011 with Nigerian business incurring 70% of the total claims while Cameroun and Kenya recorded 19% and 11% respectively. Year-on-year, all the three regional offices experienced increased claims ratio. The Nigerian business experienced an increase from 28% in 2010 to 36% in 2011, Cameroun increased from 18% in 2010 to 32% in 2011 and Kenya from 10% in 2010 to 19% in 2011. On a class by class basis, except for the Energy class of business which experienced a lower claims ratio year-on-year from 20% in 2010 to 18% in 2011, all the other classes experienced higher ratios. Fire went from 26% to 36%, Accident from 29% to 38%, Marine from 18% to 26% and Liability from 20% to 31%.



### COMMISSIONS AND CHARGES

Commissions and charges came to a total of NGN 2.59 billion in 2011 compared to NGN 2.56 billion in 2010 representing a marginal increase of 1% in nominal terms.

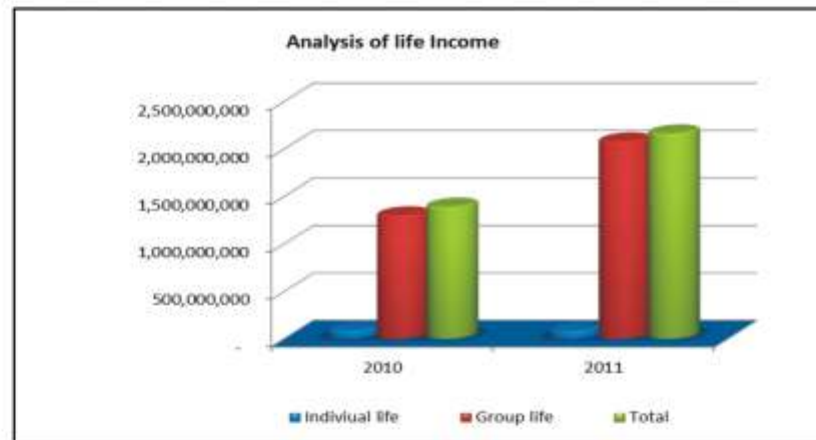
The 31% commission ratio achieved in 2011 compares favourably to the 30% achieved in 2010.

### LIFE BUSINESS

#### PREMIUM INCOME

Life business has continued to out-perform expectations in 2011 with top line growth of 55% compared to a similar increase of 54% in 2010 due mainly to aggressive marketing aimed at both new as well as the consolidation of existing businesses and markets.

Group Life contributed 96% of the total of NGN 2.16 billion gross premium generated in 2011 which has been the trend over the years due to the impact of the Nigerian Pension Reform Act where the bulk of the premiums are generated.



#### LIFE BUSINESS OUTGO

At a claims ratio of 38%, the experience got better in 2011 compared to 44% in 2010. In absolute terms, gross claims increased by 34% to NGN 820 million in 2011 from NGN 612 million in 2010.

Commission and Charges was NGN 471 million in 2011 compared to NGN 368 million in 2010 representing a 28% change.

#### SURPLUS/DEFICIT

The Life Fund had a surplus of NGN 399 million at year-end. The valuation performed by our external actuaries, HR Nigeria Limited enabled the transfer of NGN 196 million to the Profit and Loss account. This is 58% higher than the NGN 124 million transferred in 2010.

## INVESTMENT INCOME

### INVESTMENT ENVIRONMENT

The investment environment in 2011 per asset class can be described as follows:

**Money Market:** The money market firmed up in the second half of the year compared with the first half of the year. The benchmark monetary policy rate closed at 12% with asymmetric corridor of +/- 300 basis points. CBN continued its banking reforms to foster stability in the economy. The interest on bank placements moved up by an average of 300bpt from 8% in the first half of 2011 to 11% in the second half.

**Fixed Income:** Bond market was very active in 2011 on the backdrop of continuing bearish stock market. Investors flew to safety and moved to government securities as a safe haven for their financial assets. Government instruments such as bonds and treasury bills continue to be very attractive as they commanded higher yields than bank placements of similar amount and tenor. Investors' desire to continue to trade returns for safety led to the increased subscription to government and corporate bonds despite rising inflation.

**Capital Market:** The domestic Stock market dipped in 2011. The AllShare Index (ASI) closed the year at 20,730.63 compared with 24,770.52 as at 31<sup>st</sup> December, 2010, or a year-on-year loss of 19.5 per cent. The bears dominated the market due to political uncertainty in the country in the early part of the year and delayed impact of economic reforms coupled with economic crises in the Euro zone. The impact of AMCON waned in the second half of the year after the initial enthusiasms as it concentrated only on banks' non-performing loans.

**Real Estate:** The real estate market responded positively to the improved general economic condition by improved market demand. Property rental also gained resilience at high ends of the market such as Ikoyi and Victoria Island due to increasing demand. The rentals in the middle end of the market such as Lekki Phase 1 was however flat.

### Investment Income Summary

Investment	Total Inv. Inc. YTD Dec '11	Avg. Invest. YTD <sup>1</sup> Dec 11	Annualized Yield. YTD <sup>1</sup> Dec 11	Total Inv. Income YTD Dec 10	Annualized Yield YTD Dec 10
	=N='m	=N='m	%	=N='m	%
Cash and Cash Equiv.	338	5,882	6	406	6
Internally Managed Listed Equities	(187)	583	(32)	161	26
Externally Managed Listed Equities	(66)	109	(61)	22	13
Private Equities	56	642	9	44	7
Fixed-Income	336	3,688	9	261	11
Statutory Deposits	82	1,000	8	22	2
Other/Real Estate	164	1,568	10	196	20
<b>TOTAL</b>	<b>723</b>	<b>13,473</b>	<b>5</b>	<b>1,112</b>	<b>9</b>

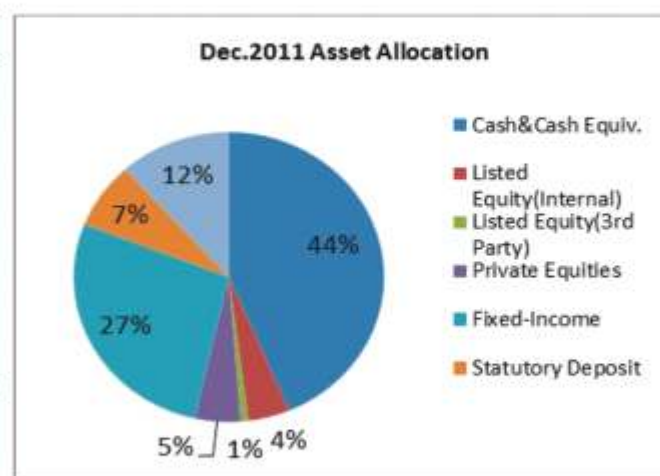
<sup>1</sup>Average of the beginning and ending carrying values of investments and cash

<sup>2</sup>Annualized yield YTD includes unrealized capital gains or losses

**The Table** above shows that the net investment income was a nominal figure of NGN 723 million which translates to an annualized yield of 5%. During the year 2011, the portfolio wrote against profit an unrealized loss of NGN 276 million and realized income of NGN 999 million as compared with realized income of NGN 996 million in 2010.

**Investment Portfolio Asset Allocation;**

Portfolio Composition	DEC 10.	DEC11
Cash and Cash Equivalents	55%	44%
Internally Managed Listed Equities	5%	4%
Externally Managed Listed Equities	1%	1%
Private Equities	5%	5%
Fixed-Income	18%	27%
Statutory Deposits with CBN	8%	8%
Other/Real Estate	8%	12%
	<b>100.0%</b>	<b>100.0%</b>



The portfolio as at December 2011 was allocated as follows:

**Cash and Cash Equivalents:** The decrease in cash by 11% from 55% to 44% was due to reallocation of cash to fixed income in line with our adjusted investment strategy in 2011.

**Listed Equities:** The internally managed equity portfolio was re-structured by selling off underperforming stocks while increasing our exposure to stocks of good fundamentals. The same strategy applied to the externally managed portfolio which now constitutes 1% of our total portfolio of assets.

**Fixed Income:** The total investment portfolio witnessed more diversification in favour of fixed income as this increased from 18.1% in 2010 to 27% in 2011.

**Real Estate:** The increase in real estate asset allocation from 8% to 12% was as a result of revaluation of the properties by Fola Oyekan & Associates in accordance with NAICOM's regulatory provision that a company can revalue its property at a minimum period of three years intervals.

**CONCLUSION**

The operating environment in 2011 was definitely challenging especially in the areas of increased competition and rising cost of doing business. Despite the challenges however, 2011 performance can be said to be modest with positive changes in a number of indices.

In 2012, management is determined to maintain the drive for sustained growth and profitability reinforced by our regional expansion strategy and internal business process and structural renewals.

The Directors present their annual report on the affairs of Continental Reinsurance PLC together with the Balance Sheet and the Profit and Loss Account for the year ended December 31, 2011.

1. **SUMMARY OF RESULTS**

	2011 NGN'000	2010 NGN'000
Profit before taxation	1,596,517	1,585,000
Taxation	<u>(363,742)</u>	<u>( 354,766)</u>
Profit after taxation	1,232,775	1,230,234
<b>Appropriations:</b>		
Contingency reserve	340,929	321,526
Proposed dividend	829,501	777,956
Retained profit for the year	258,431	195,998

2. **LEGAL FORM**

The Company was incorporated as a private limited liability Company on July 24, 1985. It commenced business as a general reinsurer in January 1987 and became a composite reinsurer in January 1990. It was converted to a public limited liability Company on March 27, 2000. The shares of the Company are currently listed on the Nigerian Stock Exchange.

3. **PRINCIPAL ACTIVITY**

The Company reinsures all classes of insurance business, including Life, Fire, Engineering, Bond, General Accident, Marine, Aviation, Motor, Liability and Energy within and outside Nigeria. The Company has branch offices in Douala (Cameroon) and Nairobi (Kenya).

4. **FIXED ASSETS**

Movements in fixed assets during the year are shown in Note 10 on page 59. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the accounts.

5. **DIVIDEND**

The Directors recommend for approval, a dividend of 8 kobo on each ordinary share of 50 kobo each, amounting to NGN 829,500,937.16 for approval and payment to shareholders whose names appear in the register of members on Friday, July 6, 2012. The dividend is subject to deduction of withholding tax at the appropriate rate.

6. **POST BALANCE SHEET EVENT**

There are no post Balance Sheet events which could have had a material effect on the state of affairs of the Company as at December 31, 2011 or on the profit for the year ended on that date that have not been adequately provided for or disclosed.

## 7. DIRECTORS

The Directors of the Company during the year and at the date of this report are:

Engr. S. Akin Laguda	Chairman
Mr. D. Chemillier-Gendreau (French)	Vice Chairman
Dr. Olufemi Oyetunji	Managing Director /CEO
Mr. Rasak O. Falekulo	Executive Director (Life)
Mr. Monin C. Adam (Ivorian)	Executive Director (Finance) <small>Resigned w.e.f April 9, 2012</small>
Mr. Lawrence M. Nazare (Zimbabwean)	Executive Director (Non Life)
Mr. Vincent LeGuennou (French)	
Mr. Hurley Doddy (American)	
Mr. David S. Sobanjo	
Ms. Nana Appiah-Korang (Ghanaian)	
Mr. Bakary H. Kamara (Mauritanian)	

Mr. D. Chemillier-Gendreau and Mr. Vincent LeGuennou retire by rotation and being eligible offer themselves for re-election.

## 8. DIRECTORS' INTERESTS

The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the register of Directors Shareholdings and or as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act CAP C20, LFN 2004 are as follows:

**Number of 50 kobo ordinary shares  
held as at December 31**

Directors	2011		2010	
	Direct	Indirect	Direct	Indirect
Engr. S. Akin Laguda	Nil	365,398,326	Nil	323,596,004
Mr. D. Chemillier-Gendreau	Nil	*	Nil	*
Dr. Olufemi Oyetunji	2,000,000	Nil	Nil	Nil
Mr. Rasak O. Falekulo	35,266,666	Nil	35,266,666	Nil
Mr. Lawrence M. Nazare	Nil	Nil	Nil	Nil
Mr. Vincent LeGuennou	Nil	*	Nil	*
Mr. Hurley Doddy	Nil	*	Nil	*
Mr. David S. Sobanjo	2,140,350	166,162,282	100,000	126,162,282
Ms. Nana Appiah-Korang	Nil	*	Nil	*
Mr. Bakary H. Kamara	Nil	*	Nil	Nil

The indirect interest of Mr. D. Chemillier-Gendreau, Mr. Vincent LeGuennou, Mr. Hurley Doddy, Ms. N. Appiah-Korang and Mr. Bakary H. Kamara who represent C-Re Holding Ltd, the majority shareholder, is 5,251,041,322 shares.

Engr S. Akin Laguda and Mr. David S. Sobanjo represent Salag Ltd and AllCO Insurance Plc respectively.

#### 9. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors has notified the company, for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, LFN 2004, of any declarable interest in contracts with which the Company was involved as at December 31, 2011.

#### 10. SUBSTANTIAL SHAREHOLDING

Shareholding of 5% and above of the issued share capital of the Company as at December 31, 2011:

##### Ordinary Shares of 50 kobo each

	2011		2010	
	Number	%	Number	%
C-Re Holding Ltd	5,251,041,322	50.62	5,251,041,322	50.62
STANBIC Nominees Nig. Ltd [Trading A/C]	751,760,924	7.25	787,904,935	7.60

#### 11. ACQUISITION OF OWN SHARES

The Company did not purchase any of its own shares during the year.

#### 12. OWNERSHIP STRUCTURE

	December 31, 2011			December 31, 2010		
	No. of Holders	No. of Shares	%	No. of Holders	No. of Shares	%
Foreign	30	5,541,856,147	53.43	23	5,447,085,821	52.51
Nigeria	6,143	4,830,888,165	46.57	6,343	4,925,658,491	47.49

13. **RETROCESSIONAIRES**

- *Advent Re*
- *Ascot*
- *Brit Syndicates*
- *Canopus (Lloyds)*
- *Cathedral Syndicates, London*
- *Catlin Re, London*
- *CCR, Algeria*
- *China Re, China*
- *Chaucer (Lloyds)*
- *Eurasia Ins. Co.*
- *GIC Re, India*
- *Hannover Re*
- *Hiscox*
- *Kuwait Re*
- *Labuan Re*
- *Milli Re*
- *Odyssey Re*
- *PTA Re/PTA Re, Kenya*
- *Q-Re*
- *SCR, Morocco*
- *Transatlantic Re*
- *Trust Re*
- *Swiss Re*

14. **PRINCIPAL BROKERS**

The following brokers transacted business with the Company during the year under review:

**Local**

Glanvill Enthoven Reinsurance Brokers Limited  
 United African Insurance Brokers Limited  
 Ark Reinsurance Brokers  
 SCIB Insurance Brokers

**Foreign**

Afro Asia  
 Alsford Page  
 AON Benfield, London  
 Atlas Re  
 CK Re  
 Cooper Gay  
 JB Boda & Company Private Limited, Bombay  
 Reinsurance Solution

## 15. DONATIONS

During the year the Company made donations amounting to NGN 2,316,590.00. The recipients include the following:

	N
• Support Deidi-Douala	16,590.00
• Professional Insurance Ladies	250,000.00
• Wesley Schools 1 & 2 for Hearing Impaired Children	200,000.00
• Pacelli School for the Blind & Partially Sighted Children	200,000.00
• Onikan Health Centre	100,000.00
• Little Saints Orphanage	200,000.00
• SOS Children's Villages	200,000.00
• Hearts of Gold Children's Hospice	200,000.00
• Kiddies Talent Hunt	100,000.00
• National Handicap Carers Association of Nigeria (NAHCAN)	200,000.00
• Heritage Home	300,000.00
• Lagos State Government Welfare Rehabilitation Centre	150,000.00
• Modupe Cole Foundation	200,000.00

## 16. ANALYSIS OF SHAREHOLDING

The issued and fully paid up share capital of the Company as at December 31, 2011 was NGN 5,186,372,156.00 divided into 10,372,744,312 ordinary shares of 50 kobo each. The range of shareholding is as follows:

Range of Holdings	Number of holders	Units	Units %
1 - 1,000	543	341,096	0.00
1,001 - 5,000	1,201	3,998,024	0.04
5,001 - 10,000	976	8,633,577	0.08
10,001 - 50,000	1,787	50,066,452	0.48
50,001 - 100,000	703	60,811,349	0.59
100,001 - 500,000	608	145,121,251	1.40
500,001 - 1,000,000	135	100,454,420	0.97
1,000,001 - 5,000,000	137	315,299,228	3.04
5,000,001 - 10,000,000	27	182,645,196	1.76
10,000,001 - 50,000,000	34	954,082,052	9.20
50,000,001 - 100,000,000	10	727,520,064	7.01
100,000,001 and above	12	7,823,771,603	75.43
<b>Total</b>	<b>6,173</b>	<b>10,372,744,312</b>	<b>100%</b>



**17. UNCLAIMED DIVIDENDS**

Total Unclaimed Dividend as at December 31, 2011 is NGN 91,958,663.62.

**18. EMPLOYMENT AND EMPLOYEES****-1. Employment of Physically Challenged Persons**

The Company's policy encourages employment of qualified physically challenged persons. Presently, there is no physically challenged person in the employment of the Company. However, where an employee becomes disabled in the course of his/her employment, it is the Company's policy that every effort should be made to ensure that such employee is retained and retrained to enable him/her continue employment.

**-2. Employees' Involvement and Training**

The Company recognizes the value of employees' contribution to and involvement in decision making and encourages their participation in arriving at decisions on corporate issues as well as issues affecting their well-being. There are formal channels for continuous communication through circulars, regular corporate, divisional and sectional meetings.

Management and staff relations in the Company remain cordial.

Adequate training and development programs have been put in place for employees and these are pursued through enhanced job scope and responsibilities as well as through relevant local and overseas functional and management courses, conferences, seminars and workshops. The training and development programmes are structured to align with the corporate objectives of the Company and employee performance is enhanced through such training and development programmes

**-3. Talent Management**

The Company has evolved a new talent management system to ensure that the acquisition, development, retention and reward of employees is adequately planned and executed in line with the Company's current and future goals. This is one of the Company's strategic focuses in order for her to emerge as a leading Reinsurance Company in Africa and to enable the Company build leadership strength in depth and create the flexibility to meet rapidly changing market conditions.

The talent management system is also being used by the Company to systematically close the gap between the Company's current human capital and the leadership talent it needs to respond to the business challenges of the future.

**-4. Health, Safety at Work and Welfare of Employees**

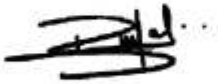
The Company ensures compliance by employees with health and safety regulations in all its office locations. In pursuit of its commitment to its health and safety policy, the Company maintains retainers with clinics and hospitals where staff and a number of their immediate family members enjoy free but regulated health care services. All members of staff are covered by the staff Personal Accident Insurance Scheme and are also members of the Company's Retirement Benefit Scheme which is approved by the Joint Tax Board.

In recognition of the need for a healthy and stress free workforce, all management staff undergo thorough medical examination at regular intervals.

**19. AUDITORS**

The Auditors, Messrs. Ernst & Young have indicated their willingness to continue in office as Auditors of the Company. In accordance with Section 357 (2) of the Company's and Allied Matters Act, CAP C20, LFN 2004, a resolution will be proposed at the Annual General Meeting to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD



Abimbola A. Falana (Mrs.)  
Company Secretary  
6, Catholic Mission Street (8<sup>th</sup> Floor)  
Lagos  
May 2012