



الشركة المركزية للتأمين
Societe Centrale de Reassurance

SOCIETE CENTRALE DE REASSURANCE

Composite Capital Company, regulated by the Dahir of Chaoual 23rd, 1379 (April 20th, 1960)

Capital: DH 300 million, (fully paid)

Guaranteed by the Moroccan State – Agreement of March 9th, 1960

Between the State and Caisse de Dépôt et de Gestion (C.D.G)

Modified by the Agreement of November 28th, 2000

Annual Report 2001

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BOARD OF DIRECTORS

Mr. Mustapha BAKKOURY *President*
General Manager of Caisse de Dépôt et de Gestion

Mr. Ahmed ZINOUN *Managing Director*

La Caisse de Dépôt et de Gestion represented by :

Mr. Mustapha MECHAHOURI, Secretary General *Administrator*

AXA ASSURANCE MAROC represented by :

Mr. Ali SABER *Administrator*

Mr. Ahmed DAROUICH *Administrator*

Mr. Tawfik TRIQUI *Administrator*

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Mr. Ahmed TAZI *Administrator*

Mr. Ahmed ES-SAGHIR *Administrator*

Mr. Mohamed SBITI *Administrator*

Mr. Abdessalam ABOUDRAR *Administrator*

Mr. Abdessalam BOUMEHDI *Administrator*

THE GOVERNMENT COMMISSIONER

Mr. Thami EL BARKI

STATUTORY AUDITORS

KPMG and ERNST & YOUNG



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INTRODUCTION

In a perturbed environment, the year of 2001 has been for the worldwide insurance and reinsurance sectors a tough year which in many ways has affected insurance and reinsurance markets. The dramatic September 11 events regarding the terrorist attacks on the World Trade Center remain the biggest catastrophe during all insurance history. It was estimated at an amount ranging between 40 and 70 billion US dollars. In addition to this huge disaster, several other factors took place such as the degradation of the technical results related to the development of previous years and the negative performance of the financial markets. The conjunction of these elements engendered the bankruptcy of some insurers and reinsurers and, for others, negative results at the end of the year. Thus, considerable major players decided to withdraw activities considered to be not very profitable or strongly exposed to high risks such as aviation industrial hazards.

As regard the reinsurance's needs, the world capacities that were available at the beginning of the year decreased after September 11 so critically for the first time in history. As a matter of fact, the insurance and reinsurance coverage prices increased so sharply, and offered limited guarantees.

Most markets were obliged to set up covers that benefit from the State guarantee and to create local and regional associations such as pools and mutual organizations of coinsurance and coreinsurance in order to reduce coverage costs and mitigate the insufficiencies of the private reinsurance markets that became increasingly inaccessible. 2001 will remain without any doubt and for a long time remembered by all insurers and reinsurers, a black year in the insurance and reinsurance history.

The events repercussions of September 11 effects on the national economy were limited in comparison with other countries. It is only tourism activity that has suffered from this situation during the last quarter of the year. To sum up, the year under review recorded satisfactory results regarding both the economic growth of about 6.5% and the protection of the macro-economic equilibrium.

Moreover, the national insurance sector is still consolidating and reinforcing its position though it still affected by a hostile financial environment for the third consecutive year.

Among the upcoming events of this year, we can mention the promulgation of the new decree of law application on competition. In this context, we should also mention the submission of the insurance law projects as well as the insurance generalization against employees' compensations to the Parliament for approval.

The year of 2001 was also for the national insurance and reinsurance market a year of questions, reflections and exchanges between the authorities and the reinsurance/insurance companies on subsequent problems in respect of the mechanisms to be set up, in order to secure the market against the international market volatility and to enhance the domestic retention conservation.

With a gross premium income of 10.83 billion dirham against 10.28 billion dirham last year, the insurance activity recorded a decline of 5.33 % compared to the previous years which established relatively higher rates.

This decline is primarily related to the life branch that registered for the first time since early nineties a growth figure of 4.17% largely lower than the growth rates of 19.44% and 12.53% recorded respectively in 1999 and 2000. The bodily injuries branch increased slightly of 2.74% against 10.69% a year earlier. Concerning the motor branch, it shifted with 5.73% against 5.56% in 2000. Besides, the insurance aviation established a better rate reaching 220% due to the events reported previously and shifted from 32.34 million dirham to 103.45 million dirham in 2001.

Based on these national and international new data, SCR has improved during 2001 its structure as well as its workplace methods throughout an action plan (2001-2002) aiming at consolidating its double vocation, as a professional and national reinsurer. As a result, the reflections engaged from the beginning of this year in accounting, were concretized by the establishment of accounts for the current year, on the basis of the accounting policies «system of non shift» adopted by the majority of the reinsurers in the world.

The year of 2001 represents for the SCR a date of paramount importance with 41 years of existence for the reinsurance field in addition to the establishment for the first time at the end of year accounts and two months after closing the underwriting year a non shifts system by cutting on delays of underwriting and retroceding operations to create a better follow-up of business quality and update current management methods.

From an operational perspective, SCR achieved a premium income of DH 1,781.79m in progression of 11.92% compared to 2000's. This evolution results primarily from the increase in the aviation premiums for both the Moroccan and the foreign business on one hand, and for the new estimate procedures of premiums on the other hand.

With a premium income of DH 1,069.05m last year against DH 997.79m, compulsory business increased by 7.14%. Concerning conventional business, it has generated a premiums income of DH 712.74m against DH 594.22m, that is to say a progression of 19.95%. This significant evolution concerns both Moroccan business and foreign acceptances which respectively increased by 18.46% and of 29.70%.

Globally, the retained premiums for own account for the current year grew by DH 1,345.07 m against DH 1,290.57m in 2000, a growth rate of 4.22 against 1.55% last year.

As regards the company's overall underwriting, they ended by a technical deficit net of retrocession of DH 32.36m against 32.55m a year ago. Indeed, the Moroccan conventional business generated a net income of retrocession of DH 70.79m in comparison to DH 25.20m a year earlier. Meanwhile, compulsory businesses produced a technical result net of

retrocession of DH 82m against a negative income of DH 45.42m in 2000 and whose life branch suffered from a deficit of respectively DH 98.43m and DH 97.63m.

As for the foreign business, the technical deficit net of retrocession shifted from DH 12.33m last year to DH 21.15m in 2001.

The general and financial administrative surplus reached DH 280.67m at the end of the year under review instead of DH 275.06m a year ago, that is an increase of 2.04%

Taking into account corporate taxes that account for DH 42.36m, the net income released in 2001 rises to DH 90.72m instead of DH 74.82m in 2000, making an improvement of 21.25%.

Moreover, post September 11 events were a unique experience for both the national insurance market and SCR that played a major role acknowledged by the various market players through granting sufficient capacities to Moroccan ceding firms, and therefore reducing the pressures of the international reinsurance markets.

In fact, after the Twin Center catastrophe, most markets particularly in developing countries were alerted by their common reinsurers of possible significant tariff increases, the exclusion of the terrorism risk, and the issue of raising limits and reducing capacities. The Moroccan insurance market was among the few companies to undergo the pressure of the world reinsurance players. Within this framework, most reinsurers had to re-examine their renewal conditions for 2002, based further on the specific mechanisms of the national market than on those resulting only from the events having marked the year under review.

In addition, the SCR is satisfied with the confidence entrusted by its ceding companies notably by reinforcing the players' treaties and the leadership of a good number of their covers for the year of 2002.

Within the framework of sharpening the skills of its personnel, SCR initiated extensive training programmes few years ago, and have continued during the current year. In this respect, it is appropriate to mention several internal seminar programmes regarding reinsurance issues and techniques and on non proportional reinsurance accounting methods in June as well as other training seminars and workshops that will be held at the beginning of October based on some countries experience on covers of natural disasters. English courses by levels of mastery continued to be exempted at various departments of the company. Moreover, employees' empowerment has been also given in information technology, data processing and office automation in order to enhance the use ratio of its data-processing software capacity.

The company also reinforced its human resources by the recruitment of adequate profiles in the fields of engineering, accounting and information systems. Many underwriters and technicians have also benefited from important training sessions at the facilities of our main partners.

In addition, SCR has been assisted by a consulting firm internationally renowned for the development of strategic audits in order to spot the company's strengths and weaknesses and to determine measures to take in order to have the adequate vision and hence face future challenges of the Moroccan and international markets.



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After assessment of the current company situation and its environment, the audit should project a strategic program with an action plan for the period of 2002-2004.

It is important to note that, SCR organized a seminar from the 25 to 26 March, 2002 in Casablanca in collaboration with the Organization of the African Insurances (O.A.A) and CNUCED, under the topic “Development & Marketing of Life Insurance Products in Africa”. The presence of almost 200 national and international participants proves the excellent public image of our country, and illustrates the good relations held by SCR with its national and foreign partners.

Finally, with regards to the prospects for the year of 2002, we should note that the tariff increase which occurred on the contracts underwritten by SCR concerning both the Moroccan conventional business and the international business. The return of the insurance and reinsurance markets to more balanced tariffs in the light of the major disasters absence and better technical results in comparison with those of the previous years.



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TECHNICAL MANAGEMENT



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1.1 COMPULSORY CESSION

The compulsory business recorded an income of DH 1069.05m against DH 997.79m the previous year, posting then an increase of 7.14%. This rise is noticed on the level of all branches except for the category “theft” which remains almost stable. In fact, branches “Life”, “Motor” and “Assistance” are particularly the origin of this evolution that respectively rise of 8.84%, 4.10% and 44.57%.

Retained premiums for compulsory cessions amounted to DH 1, 026.53m, and a retention ratio of 96.02%.

Underwriting result net of retrocession for compulsory cessions is established at a deficit of DH 82m against a loss of DH 45.42m in 2000.

1.2 CONVENTIONAL BUSINESS

The premium income achieved by SCR in 2001 regarding conventional businesses rises to DH 712.74m against DH 594.22 m last year, that is to say a progression of 19.95% resulting from a growth of 18,45% in respect of the Moroccan conventional business and from a development of 29.71% in foreign business. In this regard, Moroccan conventional business generated a premium volume of DH 610.60m against DH 5 15.47m a year earlier, thus carrying out an increase of 18.45% due a significant improvement of facultative Moroccan business results.

The conventional business retention recorded an amount of DH 318.54m against DH 330.47m in 2000, or a decrease of 3.61% and a retention rate of 44.69% in lieu of 55.61% a year ago.

The underwriting result net of retrocession for conventional business posts a surplus of DH 49.64m against DH 12.87m in 2000.



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Portfolio breakdown as at December 31st, 2001 Per class of business

In millions of dirham

CLASS	2000	2001	Variation (%)
Motor	533,27	534,10	0,16
Fire	255,74	304,81	19,19
General accident	140,51	148,80	5,90
Aviation	64,03	160,27	150,30
Contractors' all risks	27,02	30,92	14,43
Transport	172,71	184,08	6,58
Theft	6,51	8,83	35,64
Life	373,67	383,17	2,54
Assistance	18,55	26,81	44,53
Total	1 592,01	1 781,79	11,92



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GENERAL MANAGEMENT



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2.1 INVESTMENTS

Investments portfolio is established at DH 6,091.45m against DH 5,547.23m last year, that is to say an increase of DH 544.21m or 9.81%.

The following table illustrates composition and evolution of the portfolio:

In millions of dirham

Section	2000	2001	Variation (%)
Real estate	208,98	202,20	-3,25
Bonds	2 255,25	2 594,47	15,04
Actions and social shares	1 289,35	1 361,97	5,63
Loans	66,13	47,08	-28,81
Deposits with ceding companies	706,87	725,59	2,65
Other securities	978,96	1 080,41	10,36
Cash	41,69	79,73	91,24
TOTAL	5 547,23	6 091,45	9,81

2.2 INVESTMENTS INCOME

Investment income before interests gained from deposits with the ceding companies and fixed assets transfers increased to DH 335.78m instead of DH 332.86m a year ago achieving then a slight increase of 0.88% which is explained primarily by the decrease taking place at the bond and money markets, and by the dividends to be perceived for the year of 2001.

The following table shows the development of investments income:



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In millions of dirham

Section	2000	2001	Variation (%)
Bonds	231,70	227,22	- 1,93
Securities	26,24	25,84	- 1,52
Transferable securities	58,33	67,45	15,64
Interests	6,49	4,96	- 23,57
Real estate	10,10	10,31	2,08
TOTAL	332,86	335,78	0,88

2.3 GENERAL EXPENSES

Before amortization and provisions, general expenses which include those of fixed assets management, reached DH 54.52m against DH 53.01m in 2000 with an increase of 2.85%.

2.4 NET INCOME

The general and financial administrative surplus, excluding net subsidies of recoveries to the provisions of stocks, equity and interests of DH 16.73m, is established to DH 280.67m at the end of the year under review instead of DH 275,06m a year ago, that is to say an improvement of 2.04%.

Taking into account the corporate tax of DH 42.36m, the net profit generated for 2001 rises to DH 90.72m instead of DH 74.82m last year, that is to say an improvement of 21.25%.



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REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING OF JUNE 13, 2002

Gentlemen,

We have great pleasure to present the activities report carried out by your company during the financial year of 2001, and submit with your approval the related accounts as well as results for the same year.

2001 written premiums reached DH 1,781.79m, increasing by 11.92% compared to 2000. Their distribution in respect of the underwriting category arises as follows

- | | | |
|-----------------------------|---------------|-------------------------|
| • Compulsory Business | 1 069,05 MDH, | That is to say +7,14 % |
| • Moroccan Business..... | 610,60 MDH, | That is to say +18,45 % |
| • Foreign Business..... | 102,14 MDH, | That is to say +29,71 % |

SCR's retained premiums were DH 1,345.07m, or a progression rate of 4.22% against 1.55% a year ago.

Underwriting result net of retrocession post a quasi-stagnation and are established with a deficit of DH 32.36m instead of DH 32.55m recorded in 2000.

The general and financial management surplus, excluding net subsidies of recoveries to value of stocks equity and interests of DH 16.73m, is established at DH 280.67m at the end of the year under-review instead of DH 275.06m a year ago increased of 2,04%.

Taking into account the corporate tax of DH 42,36m, the net profit released for the year of 2001 rises to DH 90.72m instead of DH 74.82m in 2000 recording an improvement of 21.25%.