

## Partners in Growth

**The Islamic Corporation for the Insurance  
of Investment and Export Credit (ICIEC)**

*An affiliate of the Islamic Development Bank*

**1420H Annual Report**

GENERAL	1420H (1999/2000)	1419H (1998/99)	1418H (1997/98)
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**Commencement of Operations - 1416H (1995G)**

Subscribed Capital (US \$ million)	124.3	123.8	121.73
Paid-up Capital (US\$ million)	94.7	92.8	89.2
Member Countries	27	23	20
Staff Members	23	18	15

**TECHNICAL**

Policies in Force	38	25	19
Outstanding Insurance Commitments (US\$ million)	158.0	107.0	42.7
Declarations (US\$ million)	59.0	21.0	8.4
Premium Income (US\$ million)	0.95	0.75	0.35
Claims Paid (US\$ million)	0.89	-	0.1
Recoveries (US\$ million)	0.61	-	-

**FINANCIAL**

*Policyholder's Fund (US\$ million)*

Net revenues	0.57	0.33	0.1
Profit/(Deficit)	(3.21)	(1.74)	(1.2)
Accumulated Deficit	(8.40)	(3.17)	(1.4)

*Shareholder's Fund (US\$ million)*

Net revenues	5.40	4.56	4.7
Profit/(Deficit)	5.40	4.56	4.7
Reserves	24.74	17.41	12.8



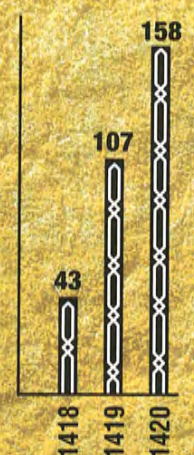
Policies in Force



Member Countries



Staff Strength



Insurance Commitments  
(US\$ m.)

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## **TRANSMITTAL LETTER**

*In the Name of Allah, the Beneficent, the Merciful*

*Date: Rabia II 1421H, July 2000G*

*Honourable Members of The Board of Governors of  
The Islamic Corporation for the Insurance of Investment and Export Credit.*

*Dear Brothers,*

*Assalam-O-Alaikum Warahmatullah Wabarakatuh*

*In accordance with Articles 27 and 44 (2) of the Articles of Agreement establishing the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), I submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Directors, the Annual Report on the operations and activities of the Corporation during 1420H, including audited financial statements.*

*Please accept the assurances of my highest consideration.*

*Yours sincerely,*



**Dr. Ahmad Mohamed Ali**  
President of ICIEC



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*ICIEC is a subsidiary corporation of the Islamic Development Bank (IDB) established on 1st August 1994G as an international institution with full juridical personality with an authorized capital of 100 million Islamic Dinars. ICIEC commenced operations in July 1995G. The objective of ICIEC is to enlarge the scope of trade transactions and the flow of investments among Member States of the Organization of the Islamic Conference (OIC). In fulfillment of this objective, the Corporation provides the following Shariah compatible facilities to exporters and investors from Member States:*

- a) export credit insurance to cover the non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks; and*
  - b) investment insurance against country risks, mainly the risks of exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government.*
-



The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) membership is open to all OIC member countries, which are 56 at present. 27 of these countries had joined ICIEC by 1420H end.

### **Message from the President**

By the grace of God Almighty, the Corporation has successfully completed another year of growth in its operations. During the year 1420H, ICIEC witnessed a concrete growth in its premium income, as it added more policyholders to its pool of participants and increased the overall policy utilization rate. Moreover, ICIEC improved its risk portfolio by expanding its short-term business and capturing a higher market share of the exports to relatively low risk Member Countries. ICIEC further expanded its membership with the addition of four more OIC Member Countries as its shareholders.

Marketing continued to be the focus of ICIEC's business operations during 1420H. An intensive marketing program utilizing various marketing

tools was implemented in the Member Countries, resulting in an increased number of business enquiries and insurance proposals.

Insurance operations during the year witnessed an important advance. The Aggregate Policy Limits reached US\$ 912 million, nearly double the amount of US\$ 468 million achieved for 1419H. At the same time, ICIEC approved 83 buyer credit limits and export contracts, representing firm cover commitments in the context of current policies, to the tune of US\$ 96 million, against US\$ 86 million for the previous year. Thus, the outstanding insurance commitments reached US\$ 158 million at the end of 1420H, compared to US\$ 107 million last year.

The utilization of approved buyer credit and contract limits by policyholders also witnessed a big

jump by reaching US\$ 59 million, compared to US\$ 21 million in the previous year. This resulted in a gross fee and premium income of US\$ 0.95 million, in comparison to US\$ 0.75 million for 1419H.

One claim was received during 1420H, under a Bank Master Policy, on account of a payment default by a buyer in a Member Country. The Corporation has admitted liability for US\$ 3.6 million of which US\$ 0.9 million was settled during 1420H, and the balance is payable in 1421H. A substantial recovery is expected as a result of an agreement with the buyer. To-date a recovery of US\$ 0.6 million has been realized.

In view of the anticipated increase in demand for insurance cover and higher levels of risk assumption, the Corporation negotiated with a

reputable international reinsurance broker to secure its services to seek a suitable reinsurance programme for the Corporation. A service contract between the Corporation and the nominated broker will be concluded in early 1421H and the appointment of the broker is expected to considerably enhance the prospects of securing a suitable reinsurance treaty for the Corporation.

In 1420H, the Corporation also designed a facility to offer reinsurance to national export credit agencies in Member Countries. This facility is likely to be introduced in 1421H and would represent an additional source of business for the Corporation.

The financial statements for 1420H show that IDB and 27 Member Countries subscribed ID 92.24 (US\$ 124.33) million to the share capital of the Corporation, of which ID 71.12 (US\$ 95.86) million had been called up and ID 70.24 (US\$ 94.68) million were actually paid by the Member Countries. The Corporation earned a net profit of ID 1.62 (US\$ 2.19) million for the year. At the year-end total assets of ICIEC stood at ID 92.60 (US\$ 124.82) million.

We look forward to an equally successful year in 1421H, where the main objective of ICIEC's business operations will be to optimize the activity under its policies, as

manifested by higher utilization rates. This will in turn expand the volume of insurance operations in terms of underwritten exports and investments, and higher realized premium income. It also aims at the consolidation and expansion of its insurance services through intensive marketing and the development of the investment insurance scheme. This strategy is expected to sustain the substantial increase in the volume of insurance business realized in previous year, despite limited membership of the Corporation.



Dr. Ahmad Mohamed Ali  
President of ICIEC

**Board of Directors:** Chairman: Dr. Ahmad Mohamed Ali • Members: Hon. M. Mutahar Abdul Aziz Al-Abbasi • Hon. M. Faisal Abdul Aziz Al-Zamil • Hon. M. Zoumana Camara • Hon. M. Mamadou Cherif Diallo • Hon. Dr. Abdullah Bin Ibrahim El-Kuwaiz • Hon. Dr. Morteza Gharehbaghian • Hon. M. Haji Khalid Bin Haji Ghazali • Hon. M. Ilgar Veysal Oglu Isayev • Hon. M. Tarik Kivanc • Hon. M. Jamal Nasser Rashid Lootah • Hon. M. Mohamed Azzaroug Rajab • Hon. M. MD Sayef Uddin • Hon. M. Ismail Zaghloul • Hon. M. Zeinhom Zahran

**Consultative Committee:** (photos to the right)

**Officers of the Corporation:**

President: Dr. Ahmed Mohamed Ali

Manager: Dr. Abdel-Rahman Eltayeb Taha

Legal Adviser:  
Dr. Mohammed El Fatih Hamid



Dr. Fuad Abdallah Al-Omar –Chairman



Dr. Abdel-Rahman Al-Zamil –Member



Mr. Iqbal Ahmed Khan –Member



Dr. Tarek El-Mamoun –Member



Mr. Dato Moh Fadzli Yusof –Member



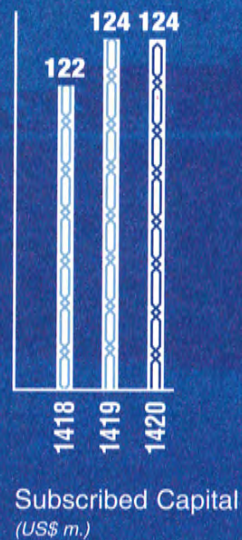
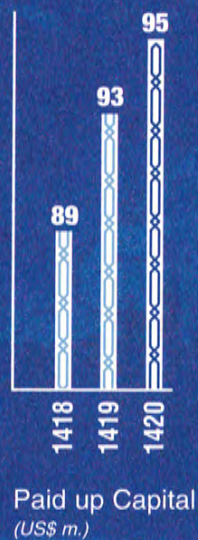
Dr. Abdel-Rahman Taha –Member

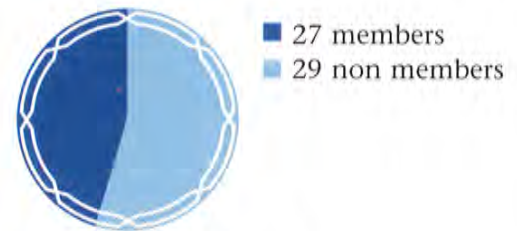


Dr. Mohammad El Fatih Hamid –Member

**“During the past years, IDB established ICIEC, which is the most important recent initiative undertaken in order to encourage the private sector to contribute to the development of trade and investment transactions among member countries.”**

*–H.E. Dr. Ahmed Mohamed Ali, President IDB/ICIEC  
Opening speech of ICIEC Seminar in Riyadh (March 1999)*





ICIEC membership out of the 56 OIC countries.

### **Legal Structure**

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established on 24 Safar 1415H (1st August 1994G) as a subsidiary Corporation of the Islamic Development Bank (IDB). Its Articles of Agreement stipulated that the Corporation shall be an international institution with full juridical personality, to be situated at Jeddah, in the Kingdom of Saudi Arabia. ICIEC commenced operations in Safar 1416H (July 1995G).

### **Objective**

The objective of ICIEC, as defined in the Articles of Agreement, is to enlarge

the scope of trade transactions and the flow of investments among Member States. In fulfillment of this objective, ICIEC provides, in accordance with the principles of Shariah;

(a) Export credit insurance and reinsurance to cover the non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks; and

(b) Islamic Investment insurance and reinsurance against country risks, mainly the risks of exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government.

### **Membership and Capital**

#### **Subscription**

In accordance with the Articles of Agreement, membership in ICIEC is open to the Islamic Development Bank and countries which are members of the Organization of the Islamic Conference (OIC). Four countries (Uganda, Brunei, Cameroon and Mauritania) became full members during the year. At the end of 1420H, there were 28 full members of ICIEC, comprising IDB and 27 countries. Several other countries are in the process of completing the membership requirements. The authorized capital of ICIEC is ID 100 million. The Islamic

Development Bank and 27 Member Countries subscribed to shares in the capital of the Corporation having a face value of ID 92.24 million. IDB contributed ID 50 million which makes 50% of authorized capital, which Member Countries subscribed ID 42.24 million. The remainder of authorized capital, ID 7.76 million, is available for subscription by new members (see Table – 1).



The Manager of the Corporation delivers a speech during a promotional seminar in a member country.

### Management

In accordance with the Articles of

Agreement, the ultimate responsibility for the management of ICIEC rests with the Board of Governors (BOG), which is composed of Governors representing the Member Countries of the IDB. All powers of the Corporation are vested in the BOG, however, it may delegate any or all of its powers to the Board of Directors of the Corporation (BOD). The BOD is responsible for the direction of the general operations of ICIEC.

The Chief Executive of the Corporation, responsible for conducting its affairs under the direction of the BOD, is the President of the Corporation. The President is the legal representative of ICIEC and has the power to approve its operations and the conclusion of contracts pertaining thereto. This position is held, ex-officio, by the

President of the IDB. The President may delegate any of his powers to the Manager of the Corporation who is responsible for conducting the day-to-day business of the Corporation.

In order to advise the President on the overall management of the Corporation, a Consultative Committee was established on 16 Ramadan 1417H (25 January 1997G). The members of the Consultative Committee are prominent personalities from Member Countries who are well-versed in matters relating to export credit and investment insurance, international trade and banking. The committee meets periodically to discuss and advise the President on relevant issues.

**Table 1: Membership and capital subscriptions status as at end of 1420H**

Members	Date of Articles Ratification	Number of Shares Subscribed	Value of Shares ID*
1. Algeria	23.04.96	1,000	1,000,000.00
2. Bahrain	06.03.99	250	50,000.00
3. Bangladesh	11.05.93	250	250,000.00
4. Brunei	24.03.98	250	250,000.00
5. Cameroon	04.07.92	250	250,000.00
6. Chad	19.02.93	250	250,000.00
7. Egypt	30.12.92	2,500	2,500,000.00
8. Gambia	01.03.96	250	250,000.00
9. Guinea	22.07.97	250	250,000.00
10. Indonesia	24.04.93	250	250,000.00
11. Iran	19.12.96	5,000	5,000,000.00
12. Jordan	21.04.93	250	250,000.00
13. Kuwait	13.07.94	2,500	2,500,000.00
14. Lebanon	17.08.95	250	250,000.00
15. Malaysia	01.08.94	2,740	2,740,000.00



This year, four new OIC countries joined the Corporation, bringing the total number of member countries to 27.

The Corporation is organized into three main Departments reporting to the Manager of the Corporation; Underwriting, Marketing, and Finance and Accounting. Three ancillary units; Administrative Affairs, Information Technology, and Country Risk Analysis provide technical and administrative support to the main Departments. Legal, Internal Audit, Investment services and some administrative services are currently provided by the

IDB for a fee in accordance with a Memorandum of Understanding signed between IDB and ICIEC.

#### **Corporate Mission**

ICIEC's Corporate Mission Statement, which is designed to highlight its strategic focus, emanates from its objectives as stated in its Articles of Agreement: "to enlarge the scope of trade transactions and the flow of investments among Member States".

The mission statement is as follows: "To be the insurer of choice for exporters and investors in member countries, engaged in the provision of competitively priced, comprehensive, and innovative Sharia Compatible Export Credit and Investment Insurance products"

#### **Strategy and Objectives for 1421H**

ICIEC conducts its business operations guided by a strategy embodied in its

Table 1 (cont.)

<b>Members</b>	<b>Date of Articles Ratification</b>	<b>Number of Shares Subscribed</b>	<b>Value of Shares ID</b>
16. Mali	04.09.93	250	250,000.00
17. Mauritania	18.07.95	250	250,000.00
18. Morocco	08.02.97	5,000	5,000,000.00
19. Pakistan	08.05.93	2,500	2,500,000.00
20. Saudi Arabia	03.12.92	13,500	13,500,000.00
21. Senegal	19.09.95	250	250,000.00
22. Sudan	10.07.95	250	250,000.00
23. Syria	01.02.98	250	250,000.00
24. Tunisia	22.02.93	500	500,000.00
25. Turkey	30.07.97	2,500	2,500,000.00
26. Uganda	04.02.99	250	250,000.00
27. Yemen	30.12.96	500	500,000.00
28. Islamic Development Bank		50,000	50,000,000.00
<b>TOTAL</b>		<b>92,240</b>	<b>92,240,000.00</b>

\* ID 1.00 = USD 0.3479



H.E. Saleem El-Hoss visiting ICIEC stand in a conference in Lebanon.



A country promotional seminar conducted by the Corporation in Yemen after it has become a member.



Promotional seminar in Riyadh under the patronage of H.E. the Saudi Minister of Finance and National Economy and H.E. the President, IDB/ICIEC.

annual business plan, which also forms the basis for its annual Operations Expenditure Budget.

It is ICIEC's Strategic Objective for Operational Year 1421H to capitalize on competitive advantages accruing to it as a result of past experiences and its unique mandate, to position itself as the premier Export Credit and Investment Insurance Agency of choice among its member countries.

The main objective of ICIEC for 1421H is to optimize the activity under its policies, as manifested by higher utilization rates (Credit Limits Approvals and Declarations). This will in turn expand the volume of its insurance operations in terms of

underwritten exports and investments, and higher realized premium income.

The stated objective of the Corporation is to be accomplished by means of a "multi-pronged" approach believed to effect the achievement of the aforementioned objective. The crux of the approach is:

- The initiation of a review process of the Articles of Agreement of the Corporation, as a means of bringing about the necessary changes to the Corporation's structure and methods that would permit the effective execution of its mandate. The review will focus on clauses restricting the market for the services of the Corporation and access to such services.

- The continued development of the necessary operational, technical, administrative, and financial systems necessary for the effective operation of the Corporation. These may include, but are not limited to, the development of a computerized Management Information System (MIS) to better enable management to keep abreast of the Corporation's operations, the continuous training and development of technical staff, and the establishment of a comprehensive network of agents in member countries.

- The review and assessment of the Marketing Approach currently employed by the Corporation. The ultimate aim of such an exercise being the identification and focusing on



marketing initiatives that have yielded tangible benefits to the Corporation, and the discarding or discontinuation of initiatives that have yielded little results, or benefits.

▪ The renewed focusing of the marketing activities of the Corporation on its Investment Insurance Services.

**Insurance Facilities**

Export Credit Insurance Services

Since ICIEC commenced business in 1416H (1995G), it has been offering three types of insurance policies:

(a) Comprehensive Short Term Policy

(b) Supplemental Medium Term Policy

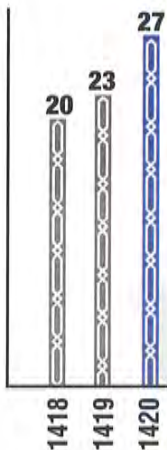
(c) Bank Master Policy

These policies provide insurance cover for up to 90% of exporters'/banks' loss due to the non-payment of export credits resulting from commercial risks such as buyer's insolvency or non-commercial risks including restrictions on the transfer of foreign exchange, the imposition of import restrictions and war and civil disturbances.

Investment Insurance Services

In the beginning of 1419H (May 1998G), ICIEC introduced the

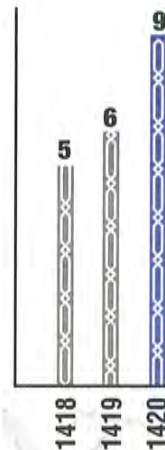
Investment Insurance Policy which provides insurance cover to investors from Member Countries who intend to invest in other Member Countries against country risks. Such risks include foreign exchange transfer restrictions, nationalization and other forms of host country government interference which may deny the investor his rights to control his investment, and war and civil disturbances.



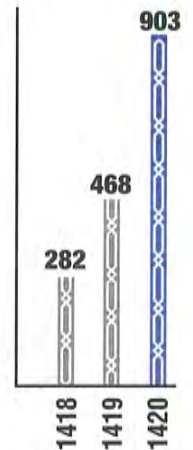
ICIEC member countries



Types of Policies issued during 1420H



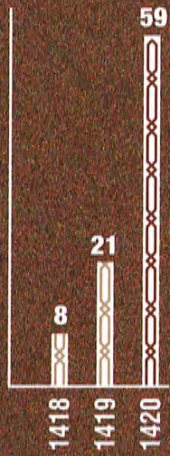
Country Promotional Seminars



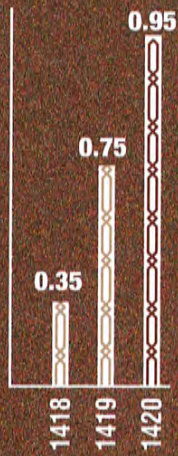
Global Policy Limit (US\$ m.)

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) provides the following insurance facilities to exporters and investors from its member countries:

- a) Export Credit Insurance Services: • Comprehensive Short Term Policy • Supplemental Medium Term Policy • Bank Master Policy
- b) Investment Insurance Services: • Foreign Investment Insurance Policy



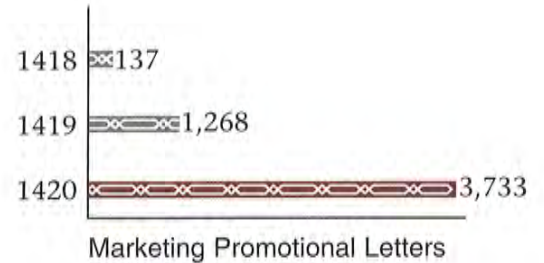
Declarations  
(US\$ m.)



Premium Insurance  
(US\$ m.)

**“The experience of industrialized countries showed that the successful strategy of exports relies on building a strong basic infrastructure in harmony with the support of exports. It comes on top of these insurance or guarantee services on export credit and loans.”**

*—Dr. Abdel-Rahman Taha, Manager  
Promotional Seminar in Bahrain, 1999*



**Marketing Activities:**

Promotional Seminars and

Conferences: In accordance with its business strategy, the Corporation continued in 1420H to focus on Marketing. The Corporation organized nine Country Promotional seminars for exporters, banks and investors in Egypt, Sudan, Bahrain, Yemen (2 seminars in Sana'a and one seminar in Aden), Uganda, Gambia and Guinea. ICIEC also organized one promotional seminar for IDB staff and participated in joint seminars with IDB in seven countries, namely Jordan, Benin, Togo, Cameroon, Turkey, Morocco and Egypt. ICIEC delivered six presentations during the following high level meetings namely the 6th

Private Sector Meeting in Yaounde, Cameroon organized by the Islamic Chamber of Commerce, the Arab Exporters and Importers (Metal Industries) Meeting in Cairo, Egypt, organized by the Arab Trade Financing Programme, the 7th Arab ECAs Meeting in Kuwait, the World Association of Investment Promotion Agencies in Thailand, the Annual Conference of Export Credit and Political Risk Insurance in London, UK, and the 15<sup>th</sup> Ministerial Conference of the COMCEC in Istanbul, Turkey.

Direct Selling: Eleven follow-up missions were mounted: one to Egypt, in cooperation with the Egyptian

Exports Promotion Center to meet Egyptian exporters and bankers, the other ten missions were mounted directly by ICIEC staff to meet the business community in Malaysia, Kuwait, Uganda, Tunisia, Morocco, Iran, Egypt, Senegal, Gambia and Guinea. ICIEC also visited the Iranian Exhibition Fair organized in Jeddah, Saudi Arabia. A total of 573 meetings were conducted by ICIEC staff with exporters and financial institutions and two-thirds of these meetings were conducted in the Member countries. In addition, direct mailing campaigns were directed to 3733 exporters and banks in three Member Countries: Indonesia (1250), Tunisia (1147) and Morocco (1336).

ICIEC Media Campaign: As part of its marketing efforts to promote its activities and services, ICIEC signed on 23 Moharram 1420H (9 May 1999) a contract with the local office of an international advertising agency to be the Corporation's consultant and advertising agent in member countries. The media campaign and advertisement have been launched in September 1999 with 51 insertions in national and regional newspaper and magazines in various Member Countries.

ICIEC Website (www.iciec.org): During 1420H, the Corporation prepared and developed a homepage as part of IDB's website. The Corporation's homepage aims at providing updated and basic information about ICIEC's activities and services to internal and external users. The Corporation is finalizing an independent and interactive website to allow users to send enquiries and applications directly through the Net.

Marketing Database: In order to support its marketing activities and identify major exporters, banks and

investors in ICIEC's member countries who are likely to benefit from its services, a Marketing Database has been developed. During the year under review, 3733 new exporters, investors and banks from Indonesia, Tunisia and Morocco have been added to the existing database bringing the total number of entries to 4773.

First ECAs' Meeting: Motivated by the objective of providing more support to enhance the capabilities of Member Countries' Export Credit Agencies (ECAs) in their efforts to expand

Table 2: Marketing Activities (1419H and 1420H)

Activities	1419H	1420H	% increase
<b>1. MARKETING ACTIVITIES</b>			
a. Promotional letters	1268	3733	194
b. Visits and Meetings	496	573	16
c. Country Promotional Seminars	6	9	50
d. Other Presentations	4	13	225
e. Follow-up Visits	6	10	67
f. Trade Fairs	1	1	0
<b>2. MARKETING RESULTS</b>			
a. Enquiries	344	479	39
b. Number of Policy Applications			
Export Credit	33	32	-3
Investment	2	2	0
Renewals	10	28	180
c. Value of Policy Applications (US\$ million)			
Export Credit	1278	1717	34
Investment	20	14	-30
Renewals	339	1433	323
d. Memorandum of Understanding (cumulative)	13	14	8
e. Agency Agreement Signed	0	0	0

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) issued 22 new policies during the year with a total coverage of US\$ 903m.

exports to other Member Countries, the Corporation hosted the 1st Meeting of ECAs in Member Countries in its headquarters in Jeddah during the period 8-9 Rabi Awal 1420H (22-23 June 1999). Eleven (11) national ECAs were represented in the meeting, in addition to representatives from 4 regional and international institutions.

Local Agents' Network: Following the completion of the relevant legal documents and technical procedures approved by the management, ICIEC started the process of setting up its Local Agents' Network in member countries. Some potential Local Agents have been identified and it is expected that the implementation of the Local Agents' Network will commence at the beginning of 1421H.

Memoranda of Understanding (MOU):

During the IDB Day organized in Amman, in conjunction with the IDB Silver Jubilee, H.E the President of ICIEC and H.E the Minister of Industry and Trade for Jordan signed a Memorandum of Understanding. This MOU aims at boosting cooperation between ICIEC and the Jordan Exports Development and Trade Centers Corporation in the fields of exchange of information, studies and research, training and marketing.

Enquiries and Policy Applications:

Resulting from the above activities, the Corporation received 479 enquiries from prospective customers. 86% of these enquiries came from Member Countries of which 76% came from exporters and the balance from banks and other institutions. These enquiries generated

32 policy applications and 28 policy renewal applications. The new policy applications came from 14 countries (4 banks and 28 exporters). The Corporation also received 2 preliminary applications for investment insurance policies from Iran and Yemen to invest in Sudan (for more details see table - 2).

**Underwriting Activities:**

Export Credit Insurance Policies: During the year under review, 22 new export credit insurance policies were issued and 17 policies were renewed with a total global policy limit of US\$ 912 million. The number of new policies issued witnessed an increase of 22% from last year, and the total global limit of policies issued and renewed increased by 95% over last year (for more details see Table 3).

Table 3: Underwriting activities (1419H-1420H)

	1419H (1998-99)	1420H (1999-00)	% Increase
New Policies Issued	18	22	22
Policies Renewed	7	17	143
Policies Terminated	8	9	13
Total Policies in force	25	38	52
Total Global Limit for New/Renewed Policies	US\$ 467.92	US\$ 911.71 mn.	95
Policies Under Offer	7	11	57
Total Global Policy Limit Under Offer	US\$ 93.56 mn.	US\$ 190.87 mn.	104
Current Global Policy Limit for Policies in Force	US\$ 467.92 mn.	US\$ 903.21 mn.	93
Credit Limit Applications (CLAs) Received	109	152	39
Total Credit Limit Amount Applied	US\$ 179.40 mn.	US\$ 471.12 mn.	163
Number of CLAs Approved	84	83	-1.2
Total Credit Limit Amount Approved	US\$ 85.555	US\$ 95.551 mn.	12
Total Outstanding Credit Limit Amount at year-end	US\$ 106.905 mn.	US\$ 158.032 mn.	48
Total Declarations Submitted	US\$ 21.04 mn.	US\$ 58.99 mn.	180
Total Premium & Fees Income	US\$ 0.7497 mn.	US\$ 0.953 mn.	27
Claims Admitted	-	1	-
Claims Amount Paid	-	US\$ 0.9 mn.	-
Recoveries Made	-	US\$ 0.6 mn.	-

**Investment Insurance Policies:** In 1420H, one main application for investment insurance was received. The proposed investment relates to a US\$ 10 million loan investment by a Kuwaiti investor in a project in Malaysia. The policy to cover the proposed investment is expected to be issued in early 1421H.

**Insurance Commitments:** Export credit insurance commitments as represented by approved credit limits reached US\$ 96 million in 1420H (US\$ 86 million in 1419H), an increase of 12% over the previous year. Some of the previously approved limits expired

during the year and outstanding limits at end-1420H amounted to US\$ 158 million compared to US\$ 107 million for the last year (for more details see Table 4). The commitments for 1420H were generated from 152 credit limit applications by policyholders valued at US\$ 471.12 million, compared to 109 applications valued at US\$ 179 million for last year (an increase of 39% and 163% respectively). This shows a credit limit approval rate of 20% for 1420H, compared to 48% for the previous year.

Export credit insurance commitments were made to exporters in 9 Member Countries (Bahrain, Iran, Jordan,

Malaysia, Saudi Arabia, Sudan, Syria, Tunisia and UAE). About 25% of the commitments went to exporters in Iran followed by Saudi Arabia (20%), Bahrain (14%), Sudan (13%) and UAE (10%). The commitments were to cover the payment risk of buyers in 16 Member Countries, led by Saudi Arabia (26%), Syria (15%), Sudan (11%), Malaysia (10%), Turkey (6%) and Egypt (6%) (for more details see Table 5).

**Declarations:** Export and contract declarations which represent the utilization of insurance commitments by policyholders and hence the Corporation's actual insurance risk



Table 4: Outstanding insurance commitments as at the end of 1420H

Exporter's Country*	Amount Approved (US\$)	%	Buyer's Country	Amount Approved (US\$)	%
1. Algeria	-	-	Algeria	200,000	0.12
2. Bahrain	13,000,000	8.23	Bahrain	-	-
3. Bangladesh	-	-	Bangladesh	7,515,200	4.76
4. Egypt	420,000	0.27	Egypt	13,422,000	8.49
5. Gambia	-	-	Gambia	7,300,000	4.62
6. Guinea	-	-	Guinea	5,000,000	3.16
7. Indonesia	1,100,000	0.70	Indonesia	2,400,000	1.52
8. Iran	24,100,000	15.25	Iran	13,191,996	8.35
9. Jordan	17,400,000	11.01	Jordan	-	-
10. Kuwait	-	-	-	-	-
11. Lebanon	-	-	Lebanon	750,000	0.47
12. Malaysia	13,441,996	8.51	Malaysia	16,000,000	10.12
13. Morocco	-	-	Morocco	6,057,000	3.83
14. Pakistan	-	-	Pakistan	280,000	0.18
15. Saudi Arabia	41,235,533	26.09	Saudi Arabia	44,682,000	28.28
16. Sudan	12,862,000	8.14	Sudan	12,215,333	7.73
17. Syria	800,000	0.51	Syria	16,600,000	10.50
18. Tunisia	8,957,000	5.67	Tunisia	3,000,000	1.90
19. Turkey	6,100,000	3.86	Turkey	5,700,000	3.61
20. Uganda	-	-	Uganda	3,000,000	1.90
21. Yemen	-	-	Yemen	718,000	0.46
22. UAE	9,575,000	6.05	UAE	-	-
23. Not Identified*	9,040,000	5.71	-	-	-
<b>Total</b>	<b>158,031,529</b>			<b>158,031,529</b>	

\* Exporters country not identified for contracts approved under the Bank Master Policy



The Corporation's new campaign for the year 1421H will focus on investment insurance services in the member countries.



Al-Jazira Bank was appointed as the first local agent in Saudi Arabia.

exposure, reached US\$ 59 million compared to US\$ 21 million for 1419H, an increase of 180%. This shows an implementation rate of about 37% compared to about 20% for last year.

Premium and Fees: ICIEC improved its risk portfolio by expanding its short-term business and capturing a higher market share of the exports to relatively low risk Member Countries. This consequently resulted in lower premium rates charged to the policyholders concerned. Gross

premium and fee income generated in 1420H was US\$ 0.953mn. compared to US\$ 0.749mn. in 1419H, representing an increase of 27%.

Claims and Recoveries: One claim was received during 1420H under the Bank Master Policy on account of a payment default by a beneficiary (buyer) in Jordan. The Corporation has admitted liability and agreed to settle the claim at US\$ 3.3 million, representing 90% of the default amount of US\$ 3.6 million. An amount of US\$ 0.9 million

has been paid to the policyholder during 1420H, and the balance is payable in 1421H. A substantial recovery is expected as a result of an agreement with the buyer. US\$ 0.6 million was recovered by year end.

In respect of a claim paid in 1418H, resulting from payment default by a buyer in Mali, recovery efforts through litigation are still in progress.

Outward Reinsurance: On the recommendations of a study conducted by a reinsurance expert, the

Table 5: Insurance commitments (1420H)

Exporting Countries	Bahrain	Iran	Jordan	Malaysia	Saudi Arabia	Sudan	Syria	Tunisia	UAE	Not Identified	Total
<b>Importing Countries</b>											
Bangladesh	-	-	-	-	4.552	-	-	-	-	-	4.552
Egypt	-	-	-	-	2.725	-	-	-	2.425	1.04	6.19
Gambia	-	-	-	-	-	-	-	-	3.3	-	3.3
Guinea	-	-	-	-	-	-	-	-	-	5.0	5.0
Iran	-	-	-	3.0	0.310	-	-	-	-	-	3.310
Lebanon	-	-	-	-	0.5	-	-	-	0.25	-	0.75
Malaysia	10.0	-	-	-	-	-	-	-	-	-	10.0
Morocco	-	-	-	-	0.1	-	-	0.15	-	-	0.25
Pakistan	-	-	-	-	0.28	-	-	-	-	-	0.28
Saudi Arabia	-	10.0	-	1.0	-	12.862	0.8	-	-	-	24.662
Sudan	3.0	-	3.0	-	4.357	-	-	-	0.6	-	10.950
Syria	-	14.1	-	-	-	-	-	-	-	-	14.1
Tunisia	-	-	-	-	-	-	-	-	-	3.0	3.0
Turkey	-	-	-	-	5.5	-	-	-	-	-	5.5
Yemen	-	-	-	-	0.7	-	-	-	-	-	0.7
Uganda	-	-	-	-	-	-	-	-	3.0	-	3.0
	13.0	24.1	3.0	4.0	19.024	12.862	0.8	0.15	9.575	9.04	95.551

Table 6: Actual exposure (1420H)

No.	Buyer Country	Exposure (US\$)	%
1.	Saudi Arabia	27,382,000	46.42
2.	Malaysia	12,418,414	21.05
3.	Sudan	4,856,035	8.23
4.	Bangladesh	3,822,365	6.48
5.	Syria	3,344,322	5.67
6.	Egypt	2,650,000	4.49
7.	Morocco	1,623,345	2.75
8.	Gambia	1,300,000	2.20
9.	Lebanon	648,001	1.10
10.	Algeria	559,075	0.95
11.	Kuwait	266,086	0.45
12.	Iran	122,712	0.21
	Total	58,992,355	100.00

Corporation negotiated with a reputable international reinsurance broker to secure its services to seek a suitable reinsurance programme for the Corporation. A service contract between the Corporation and the nominated broker will be concluded in early 1421H and the appointment of the broker is expected to considerably enhance the prospects of securing a suitable reinsurance treaty for the Corporation.

Inward Reinsurance: In 1420H, the Corporation has also designed a facility to offer reinsurance to National Export Credit Agencies in Member

Countries. This facility is likely to be introduced in 1421H and would represent an additional source of business for the Corporation.

Credit Information: ICIEC utilizes specialized credit information agencies (CIAs) to obtain reports on buyers in Member Countries. ICIEC's database on buyers is rapidly increasing, particularly on buyers in Saudi Arabia, Egypt, Jordan, Syria, Turkey, Morocco, Sudan, Lebanon, Iran, and Bangladesh.

ICIEC endeavours to utilize the services of CIAs in Member Countries

such as INFOKREDIT - Salem Al Kadi Co. (Saudi Arabia), Turk Exim Bank (Turkey), MECIB (Malaysia), RECOURS (Morocco), Sorencos S.A. (Tunisia), and CAGEX (Algeria).

Country Risk Analysis Unit: An independent Unit within ICIEC monitors the political and economic conditions in Member Countries. Continuous updating of Member Countries' database is done through personal visits to these countries and subscription to independent international agencies providing country economic and political risk assessment services.

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) uses many Credit Information Agencies in and out of the member countries to assess the financial positions of buyers, banks and projects.

**“As you are aware, we are living in an era where exports occupy a key position in the strategy of economic development based on economic liberalization which relies on the strength of the market leading to economic operations.”**

*—Dr. Abdel-Rahman Taha, Manager  
Promotional Seminar in Bahrain, 1999*



Staff Members Trained



Training Courses

Human resources are one of the most important assets of any organization, especially so to those dealing in the service sector. That's why ICIEC has gone to great lengths to select recruits and train only the best candidates. The Corporation has also put up development plans to ensure the quality of its human resources. ICIEC is also aware of the strategic importance of information technology in this area and is currently developing an integrated package with state-of-the-art technology .

The Corporation recognizes that the quality of human resources is the most important factor affecting its efficiency and ultimately its ability to achieve its objectives. Hence, it continued efforts to recruit high caliber staff from Member Countries and to avail them of the best available training facilities. At the same time ICIEC is rapidly developing its information technology resources, to keep in stride with the developments in the information and communication fields

Staffing: During the year under review, the Corporation recruited 4 new staff, in the Underwriting and Marketing Departments. In addition, 1 Young Professional was confirmed in the position of Investment Underwriter in the Underwriting Department after a successful 6 months Rotation Training

within the framework of the IDB Young Professionals Program. At the end of 1420H, the total number of staff in ICIEC increased to 23 against 18 in 1419H, thus achieving a utilization of 77% of the vacant positions.

Training: During the year under review, training focused on benefiting from IDB's in-house training facilities to cover three broad areas: technical (relating to the specialization of the staff member), computer and languages, 8 staff members attended IDB in-house training. In addition, 2 professional staff attended a training course organized by a French Company COFACE.

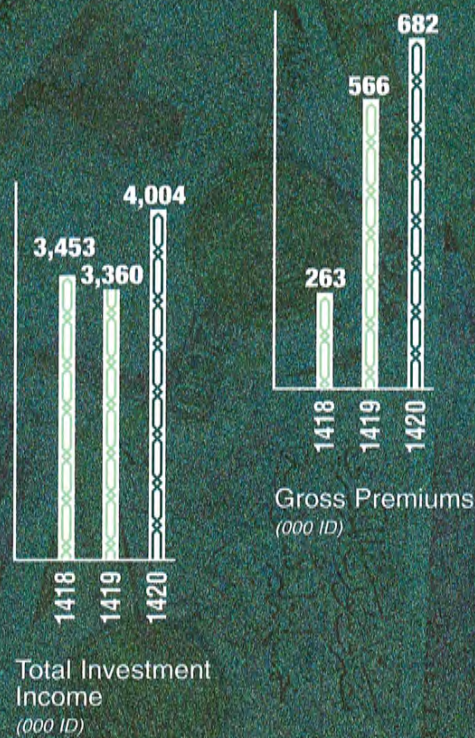
Office Facilities: Keeping in view the expected increase in business activity, the Corporation invested in improving

its infrastructure facilities during 1420H. ICIEC expanded, remodelled and furnished its office space during the year. It also acquired additional office equipment, including top of the line computers.

Management Information System: The Corporation is in the process of finalizing the implementation of a fully integrated state-of-the-art computerized management information system to meet its information and communication requirements. The management information system has been developed in-house. The required hardware was installed during 1420H, comprising of a server and individual PCs for all the staff. It is expected that the system will become operational during the year 1421H.

**“Investment insurance against country risk has proved its efficiency during the last twenty years in encouraging the flow of investments. It is also an essential factor in improving investors confidence related to non-commercial risks that may affect the proposed project, as it is generally the main element affecting foreign investment decision making.”**

*—Dr. Ahmed Mohamed Ali, President IDB/ICIEC  
Opening speech of ICIEC Seminar in Riyadh (March 1999)*



The gross premium income generated by the Corporation during the year has increased by 27% over the last year. It reached the amount of US\$ 0.953m during 1420H, an increase of US\$ 0.204m over 1419H.

ICIEC has experienced a significant growth in its premium income in 1420H. At the same time, the magnitude of claim expense increased. Four more OIC Member Countries joined the ICIEC membership during 1420H. Return on invested funds remained in line with that achieved last year. The following paragraphs provide a summary of the accounts, and highlights of the performance and structure of invested funds.

Unit of Account: Islamic Dinar (ID) is the unit of account of the Corporation. It is equivalent to the Special Drawing Right (SDR) of the International

Monetary Fund (ID 1.00 = USD 1.3479 as at end of 1420H).

Share Capital: The authorized share capital of the Corporation is ID 100 million, made up of 100,000 shares of ID 1,000 each. IDB has subscribed to half of the authorized capital, while the other half was left for the subscription of the Member Countries of the Organization of the Islamic Conference (OIC). Each Member Country may subscribe to a minimum of 250 shares in the Corporation.

As of 30 Dhul Hijja 1420H, IDB and twenty-seven Member Countries had

subscribed to a total of 92,240 shares for a nominal value of ID 1,000 per share; equivalent of ID 92.24 million. The called-up installments amounted to ID 71.12 million, out of which ID 70.24 has so far been paid. The balance of ID 0.88 million is receivable from the subscribing Member Countries.

Separation of Shareholders' and Policyholders' Funds: In conformity with Shariah rules governing Takaful (cooperative) insurance, the Articles of Agreement of the Corporation (Article 28) require that the Corporation maintains two separate funds:

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) increased its staff from 18 employees last year to 23 this year to support the increasing flow of business activity.

Country	1420	1419	1418
Bahrain	10,842	16,739	16,426
France	14,773	19,583	20,325
Saudi Arabia	21,491	14,135	12,090
United Kingdom	18,669	27,467	28,753
Total	65,775	77,924	77,594

ICIEC's investment breakdown by country (000 ID)

a) Policyholders' Fund which contains mainly the insurance contributions and fees.

b) Shareholders' Fund which contains the paid-up capital and the reserves.

This requirement is reflected in the financial statements of the Corporation.

Policyholders' Fund: ICIEC aims at providing timely information on its underwriting operations, to both the shareholders and the policyholders of the Corporation. Hence, it has adopted

the "annual accounting" basis to report the results of the underwriting operations at the financial year-end. In arriving at reasonable estimates of the underwriting operations, the following accounting policies are used:

a) Unearned premiums are calculated on the basis of 50% of the premiums recorded during the year.

b) Claims incurred but not reported are calculated at 1.5% of the total risk covered.

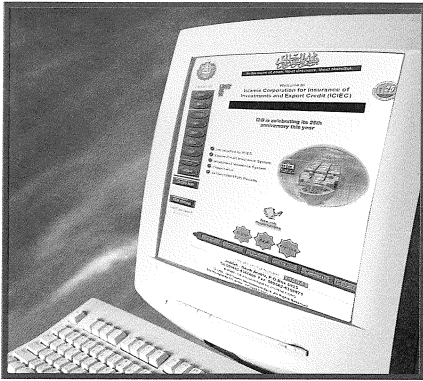
The 1420H gross premium and fees amounted to ID 0.68 million,

compared to 1419H amount of ID 0.57 million.

The net premium and fees earned during the year amounted to ID 0.43 million, while the operating expenses were ID 1.55 million. A loss of ID 2.38 million during 1420H brought the accumulated losses in the Fund to ID 6.23 million at the year-end. The large loss reported for the year is mainly attributable to the one claim, ID 2.53 million, which was accepted during 1420H. However the recovery process was immediately started and an amount of ID 0.45 million was recovered, under a rescheduling agreement, by the year-end.

Shareholders' Fund: The capital generated by the Member Countries of the Corporation is mainly invested in various Shariah compatible investment





ICIEC has designed a Web site to introduce the range of investment insurance and export credit services it offers.

instruments through the IDB Treasury Department, acting as the Corporation's Fund Manager. One long-term investment has been carried out directly by the Corporation, in the shares of IDB's Unit Investment Fund. The Shareholders' Fund generated a net profit of ID 4.00 million for the year 1420H. An income of ID 3.27 million was generated from the investments, while ID 0.73 million was reported as gain on exchange. There were no operating expenses associated with the investment activity in the Shareholders' Fund. The net income has been transferred to the statutory reserve, as mandated under the Articles of Agreement.

The Corporation's paid-up share capital increased from ID 68.37 million last year, to ID 70.24 million at the end of 1420H. During the year,

four new Member Countries were admitted to ICIEC and some outstanding subscriptions were received. The balance of subscriptions receivable was brought down from ID 2.25 million last year to ID 0.88 million at the end of 1420H.

Net Corporate Financial Result: The overall results of the Corporation reflect a net profit of ID 1.62 million for the year 1420H. This was achieved with a net profit of ID 4.00 million in the Shareholders' Fund and a loss of ID 2.38 million in the Policyholders' Fund. At the end of 1420H, the total assets of the Corporation were ID 92.60 million compared to ID 83.38 million last year. These assets primarily relate to the Shareholders' Fund.

Liquid Funds' Investment Portfolio: Historically, all the liquid funds of

ICIEC have been placed with Islamic banks or Islamic windows of conventional banks, in Shariah compatible short-term commodity placements. The IDB Treasury is responsible for managing these funds, as the Corporation's Fund Manager. Due to a relatively low yield provided by these investments, steps have been undertaken to diversify this portfolio to include medium-term and long-term investments. These include increase in the Corporation's investment in UIF, and provision of specific investment guidelines to the IDB Treasury alongwith appropriate fees and incentive plans, in the context of a fund management agreement, under process, between ICIEC and IDB. Thus, the total amount of the liquid funds' portfolio was thus reduced from ID 72.40 million last year to ID 52.79 million at the end of 1420H. The

portfolio income also decreased from ID 2.95 million last year to ID 2.72 million this year, providing a 4.35% rate of return on the average liquid funds invested for the year 1420H.

The major portion of these investments (ID 39.22 million) is put in commodity placements due to mature within three months from the date of acquisition. The balance (ID 13.57 million) reflects commodity placements due to mature between three to six months. The funds are placed with 10 banks in 4 countries (Bahrain, France, Saudi Arabia and United Kingdom).

Investment in IDB's Unit Investment Fund (UIF): The Islamic Development Bank manages the IDB Unit Investment Fund, a Trust Fund in accordance with the Islamic concept of Mudarabah. The Fund invests in public and private sector ventures, primarily in the member countries of the IDB, in line with the principles of Shariah. The Corporation's investment in this Fund increased to ID 12.98 million during the year, compared to ID 5.53 million last year. The increase came from the transfer of a portion of investment in liquid funds to UIF

investment. An amount of ID 0.56 million was received as dividend from UIF by the Corporation, representing a return of over 6% on the average investment in UIF.

The investment portfolio of the Fund is guaranteed by IDB. The portfolio predominantly consists of leases and installment sales, followed by commodity financed deposits and Murabaha syndications. Units of the Fund are traded on the Bahrain Stock Exchange.



Staff members of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) during a social gathering, celebrating the Corporation's performance and results of 1420H.

*AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ISLAMIC CORPORATION  
FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT*

*We have audited the financial statements of The Islamic Corporation for the Insurance of Investment and Export Credit set out on pages 26 to 32.*

*These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.*

*We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An*

*audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.*


*An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.*

*In our opinion, the financial statements taken as a whole:*

*i) present fairly, in all material respects, the financial position of the Corporation as of 30 Dhul Hijjah 1420 H and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards; and*

*ii) comply with the requirements of the Corporation's Articles of Agreement in so far as they affect the preparation and presentation of the financial statements.*

*for Whinney Murray & Co.*



*Faiq J. Anayi  
Chartered Accountant  
Registration No. 205*

*25 Rabi Awal 1421 H  
27 June 1999  
Jeddah*

**BALANCE SHEET**

	Note	1420 H ID	1419 H ID
30 Dhul Hijjah 1420 H			
<b>ASSETS</b>			
RELATING TO SHAREHOLDERS' FUND			
Bank balances		2,256,088	37,834
Other assets		557,687	272,748
Investments	3	65,774,890	77,923,618
Amounts due from policyholders' fund		6,130,549	2,152,520
Amounts due from Islamic Development Bank	4	15,505,065	2,417,545
		<b>90,224,279</b>	<b>82,804,265</b>
RELATING TO POLICYHOLDERS' FUND			
Bank balances		812,694	511,728
Prepaid expenses		9,356	-
Claims recoverable		1,373,248	-
Fees receivable		106,072	67,971
Fixed assets		78,647	-
		<b>2,380,017</b>	<b>579,699</b>
<b>TOTAL ASSETS</b>		<b>92,604,296</b>	<b>83,383,964</b>
<b>LIABILITIES AND SHAREHOLDERS' AND POLICYHOLDERS' FUND</b>			
SHAREHOLDERS' LIABILITIES			
Unearned income		284,170	1,233,980
Accounts payable and accruals	5	135,649	109,008
		<b>419,819</b>	<b>1,342,988</b>
POLICYHOLDERS' LIABILITIES			
Amounts due to shareholders' fund		6,130,549	2,152,520
Accounts payable and accruals	5	222,380	256,460
Advance billings	6	464,402	327,486
Claims payable		1,775,531	-
Unearned premiums		272,462	141,883
Provision for unreported claims		950,207	293,737
		<b>9,815,531</b>	<b>3,172,086</b>
<b>TOTAL LIABILITIES</b>		<b>10,235,350</b>	<b>4,515,074</b>
SHAREHOLDERS' FUND			
Share capital	8	70,245,000	68,370,000
Statutory reserve	9	18,356,072	12,834,817
		<b>88,601,072</b>	<b>81,204,817</b>
POLICYHOLDERS' FUND			
Accumulated losses		(6,232,126)	(2,335,927)
<b>TOTAL SHAREHOLDERS' AND POLICYHOLDERS' FUND</b>		<b>82,368,946</b>	<b>78,868,890</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' AND POLICYHOLDERS' FUND</b>		<b>92,604,296</b>	<b>83,383,964</b>

The attached notes 1 to 12 form part of these financial statements.

## STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended 30 Dhul Hijjah 1420H	Note	1420 H ID	1419 H ID
<b>POLICYHOLDERS' FUND</b>			
Gross premiums		<b>681,841</b>	566,213
Premiums earned	6	<b>414,345</b>	229,679
Commission earned		-	4,150
Policy fees earned		<b>11,702</b>	11,003
<b>Total revenue</b>		<b>426,047</b>	244,832
Claims incurred	7	<b>1,256,939</b>	216,257
Employees' cost	4	<b>972,945</b>	863,608
General and administration expenses	4	<b>523,049</b>	403,690
Fees paid to Islamic Development Bank	4	<b>52,003</b>	40,261
		<b>2,804,936</b>	1,523,816
LOSS FOR THE YEAR BEFORE PRIOR PERIOD ADJUSTMENT		<b>(2,378,889)</b>	(1,278,984)
Prior period adjustment	10	<b>(1,517,310)</b>	-
<b>LOSS FOR THE YEAR</b>		<b>(3,896,199)</b>	(1,278,984)
Accumulated losses at beginning of the year		<b>(2,335,927)</b>	(1,056,943)
<b>ACCUMULATED LOSSES AT END OF THE YEAR</b>		<b>(6,232,126)</b>	(2,335,927)
<b>SHAREHOLDERS' FUND</b>			
INCOME			
Investments income		<b>3,274,669</b>	3,299,072
Gain on exchange		<b>729,276</b>	61,397
NET PROFIT FOR THE YEAR BEFORE PRIOR PERIOD ADJUSTMENT		<b>4,003,945</b>	3,360,469
Prior period adjustment	10	<b>1,517,310</b>	-
<b>NET PROFIT FOR THE YEAR TRANSFERRED TO STATUTORY RESERVE</b>		<b>5,521,255</b>	3,360,469
<b>NET PROFIT FOR THE CORPORATION FOR THE YEAR</b>			
Policyholders' fund - loss		<b>(3,896,199)</b>	(1,278,984)
Shareholders' fund - profit		<b>5,521,255</b>	3,360,469
<b>NET PROFIT</b>		<b>1,625,056</b>	2,081,485

The attached notes 1 to 12 form part of these financial statements.

## STATEMENT OF CASH FLOWS

Year Ended 30 Dhul Hijjah 1420 H	1420 H ID	1419 H ID
<b>OPERATING ACTIVITIES</b>		
Net profit for the year	1,625,056	2,081,485
Adjustment for:		
Investment income	(3,274,669)	(3,299,072)
Gain on exchange	(729,276)	(61,397)
Depreciation	20,787	-
Changes in operating assets and liabilities:		
Islamic Development Bank	(13,087,520)	(5,564,281)
Other assets	(1,705,644)	94,447
Liabilities	1,905,008	477,152
Insurance funds	787,049	270,344
<b>Net cash (used in)/from operating activities</b>	<b>(14,459,209)</b>	<b>(6,001,322)</b>
<b>INVESTING ACTIVITIES</b>		
Investment in IDB Unit Investment Fund	(7,454,479)	-
Proceeds from/(investments in) Murabha deals (net)	60,037,972	(45,282,423)
Investment in fixed assets	(99,434)	-
<b>Net cash from/(used in) investing activities</b>	<b>52,484,059</b>	<b>(45,282,423)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	1,875,000	2,312,500
<b>Net cash from financing activities</b>	<b>1,875,000</b>	<b>2,312,500</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>39,899,850</b>	<b>(48,971,245)</b>
Cash and cash equivalents at beginning of the year	2,386,768	51,358,013
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>42,286,618</b>	<b>2,386,768</b>
Cash and cash equivalents comprise the following:		
Investments maturing within three months from the date of acquisition	39,217,836	1,837,206
Bank balances	3,068,782	549,562
	<b>42,286,618</b>	<b>2,386,768</b>

The attached notes 1 to 12 form part of these financial statements.

30 Dhul Hijjah 1420 H

## 1. ACTIVITIES

The Islamic Corporation for the Insurance of Investment and Export Credit was formed as an autonomous affiliate of The Islamic Development Bank with full juristic personality under the terms of its Articles of Agreement, signed by certain Islamic countries and Islamic Development Bank (IDB). The principal office of the Corporation is in the Kingdom of Saudi Arabia.

The objectives of the Corporation as defined in its Articles of Agreement are to enlarge the scope of trade transactions and the flow of investments among member states. In fulfilment of this objective, the Corporation shall provide in accordance with the principles of Shariah, the following:

- (a) export credit insurance and reinsurance; and
- (b) investment insurance and reinsurance.

The Articles of Agreement of the Corporation came into effect on 24 Safar 1415 H and the Corporation commenced operations on 4 Safar 1416 H (corresponding to 1 July 1995).

In accordance with the Articles of Agreement, the Corporation is required to maintain and administer two separate funds:

- (a) a policyholders' fund
- (b) a shareholders' fund

Establishment expenses are paid out of the capital by way of a loan to be repaid from the surplus accruing to the policyholders' fund. The shareholders shall not be entitled to a share in any surplus accruing to the policyholders' fund; any deficit in policyholders' fund shall be covered from the capital by way of a loan to be repaid from the surplus accruing to the policyholders' fund.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with International Accounting Standards. The significant accounting policies adopted are as follows:

### a) Accounting convention

The financial statements are prepared under the historical cost convention.

### b) Foreign currencies

The records of the Corporation are maintained in Islamic Dinars (ID). The value of the Islamic Dinar is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund. Foreign currency transactions are recorded in Islamic Dinars at the approximate rates of exchange prevailing at the time of transactions. Monetary Assets and liabilities in foreign currencies at the balance sheet date are retranslated at the year end rates of exchange. Exchange differences are reported as part of the results for the year.

### c) Investments and investment income

Amounts advanced for financing trade on a Murabaha basis are stated at total amounts due including mark-up at maturity date. The portion of mark-up which has not been accrued to income is included under liabilities as unearned income.

The investment in IDB's Unit Investment Fund is recorded at cost with provision for any permanent decline in value, if considered necessary.

Income from Murabaha investments and short-term commodity transactions is accrued evenly over the period from actual disbursement of funds to the repayment date. Once a payment is overdue, no additional charge is made or income is accrued. Income from the IDB Unit Investment Fund is recognised when a dividend is declared.

### d) Premiums earned

Premiums in respect of policies issued are recognised as income in the year in which the declaration of the gross invoice value of goods by the policyholders is accepted. Unearned premiums are calculated on the basis of 50% of the premiums recorded during the year.

### e) Outstanding claims

The liability for outstanding claims is based on an estimate of total claims reported up to the close of the accounting period, less amounts

considered recoverable. The liability includes an assessment of claims incurred but not reported at the year end or likely to be incurred during the period of cover calculated at 1.5% of the total risk covered based on the declared gross invoice value of goods. These estimates are based on a case by case evaluation, and in the absence of adequate actual loss experience and industry benchmarks, are necessarily subject to the impact of changes in such factors as claim severity and frequency.

f) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and investments having a maturity of three months or less at date of acquisition.

**3. INVESTMENTS**

	1420 H ID	1419 H ID
Murabaha investments (see below)	<b>52,792,373</b>	72,395,580
Investment in IDB, Unit Investment Fund	<b>12,982,517</b>	5,528,038
	<b>65,774,890</b>	77,923,618

The Murabaha investment portfolio at 30 Dhul Hijjah 1420 H comprises trading contracts in the following commodities:

	Cost ID	Maturity Value ID
Copper	17,247,780	17,475,278
Aluminium	10,281,246	10,378,622
Platinum	2,225,701	2,236,512
Palladium	8,588,662	8,691,077
Tin	2,800,559	2,839,272
Others	10,992,526	11,171,612
Total at 30 Dhul Hijjah 1420 H	52,136,474	52,792,373
Total at 30 Dhul Hijjah 1419 H	70,316,124	72,395,580

**4. RELATED PARTY TRANSACTIONS**

The Corporation has entered into a Memorandum of Understanding with IDB whereby IDB provides a number of services including investment, finance, administration, legal, etc. to the Corporation for a fee. In addition, a significant proportion of the Corporation's expenses are paid by IDB and re-charged to the Corporation.

**5. ACCOUNTS PAYABLE AND ACCRUALS**

	1420 H ID	1419 H ID
<b>SHAREHOLDERS' LIABILITIES</b>		
Bank commission income (see note below)	<b>135,649</b>	109,008
<b>POLICYHOLDERS' LIABILITIES</b>		
Other payables	<b>33,494</b>	45,586
Accrued expenses	<b>188,886</b>	210,874
	<b>222,380</b>	256,460

As the Corporation is operating under Shariah laws, bank commission income received is not taken to the statement of income but kept in a liability account. These amounts will be utilised, as considered appropriate, in accordance with Shariah laws.

**6. PREMIUMS EARNED**

	1420 H ID	1419 H ID
Gross premiums	<b>681,841</b>	566,213
Less: advance billings at end of the year	<b>(464,402)</b>	(327,486)
Add: advance billings at the beginning of the year	<b>327,486</b>	86,536
	<b>544,925</b>	325,263
Less: reinsurance premiums	-	(41,497)
	<b>544,925</b>	283,766
Unearned premiums at beginning of the year	<b>141,883</b>	87,796
Unearned premiums at end of the year	<b>(272,463)</b>	(141,883)
Premiums earned	<b>414,345</b>	229,679



**7. CLAIMS INCURRED**

	<b>1420 H ID</b>	1419 H ID
Gross claims	<b>2,431,821</b>	-
Recoveries	<b>(1,831,352)</b>	-
Net claims	<b>600,469</b>	-
Provision for unreported claims at beginning of the year	<b>(293,737)</b>	(77,480)
Provision for unreported claims at end of the year	<b>950,207</b>	293,737
	<b>1,256,939</b>	216,257

**8. SHARE CAPITAL**

	<b>1420 H ID</b>	1419 H ID
Authorised capital		
100,000 shares of ID 1,000 each	<b>100,000,000</b>	100,000,000
Issued and subscribed capital		
50,000 shares of ID 1,000 each fully paid	<b>50,000,000</b>	50,000,000
42,240 (1419 H - 41,240) shares of ID 1,000 each, of which ID 500 has been called up	<b>21,120,000</b>	20,620,000
Less: subscriptions receivable	<b>(875,000)</b>	(2,250,000)
	<b>70,245,000</b>	68,370,000

The remainder of the unpaid subscriptions are subject to call by the Corporation as and when required to meet its obligations and may be refunded in whole or in part, in which event the amounts refunded shall become part of the callable capital obligation of the shareholders.

The shareholders (member states) may withdraw from the Corporation after the expiry of a period of 5 years from the date of their membership. In such an event the Corporation shall arrange for the repurchase of the shares of a withdrawing shareholder at a price equal to the book value of such shares on the date the shareholder ceases to be a member.

**9. STATUTORY RESERVE**

	<b>1420 H ID</b>	1419 H ID
Balance at beginning of the year	<b>12,834,817</b>	9,474,348
Transfer for the year	<b>5,521,255</b>	3,360,469
Balance at end of the year	<b>18,356,072</b>	12,834,817

In accordance with Article 29 of Chapter IV of the Corporation's Articles of Agreement all profits accruing to the shareholders' fund as well as the surplus accruing to the policyholders' fund shall be allocated to a statutory reserve, until such reserve equals five times the subscribed capital of the Corporation.

After the reserves of the Corporation have reached this level, the Board of Governors will decide to what extent surplus accruing to the policyholders' fund and net income accruing to the shareholders' fund may be distributed or allocated to reserves.

**10. PRIOR PERIOD ADJUSTMENT**

In 1417 H, expenses relating to the policyholders' fund amounting to ID 1,517,310 were erroneously charged to the shareholders' fund. During the year, the Corporation, corrected the error made in prior year by charging the expenses to the policyholders' fund.

## 11. FINANCIAL INSTRUMENTS

The nature of activities and management policies with respect to financial instruments are:

### a) Credit risk

The financial instruments which subject the Corporation to credit risk principally consist of bank balances and investments.

The Corporation's investment portfolio is managed by IDB and comprises Murabaha deals with reputable banks. The Corporation is, therefore, of the opinion that no credit loss is likely to occur. All of the Corporation's Murabaha deals will mature within one year of the balance sheet date.

### b) Fair value of financial assets and liabilities

The book values of all classes of financial assets and financial liabilities, as recorded in the balance sheet, approximate the fair value of those assets and liabilities.

### c) Currency risk

The Corporation's investment portfolio is denominated in Islamic Dinars and is held in major stable currencies, which match the composition of the Islamic Dinars basket, namely United States Dollars, Deutsche Marks, Pounds Sterling, French Francs and Japanese Yen. As such, the Corporation is not exposed to any material currency risk.

### d) Geographical risk

The Corporation carries on business mainly with member countries in Africa and Asia. Due to the relatively high country risk of some of the countries in these continents, the Corporation is exposed to potential losses arising from large insurance claims. The maximum theoretical geographical risk, based on the declarations made by exporters during 1420H amount to ID 44 million (1419H - ID 16 million). The Corporation minimises any detrimental impact on its assets, due to the realization of such risks, by maintaining adequate reserves. ( See notes 2 (e) and 9).

## 12. NUMBER OF EMPLOYEES

At 30 Dhul Hijjah 1420 H the Corporation had 23 (1419 H -18) employees.

***The Islamic Corporation for the Insurance of Investment and  
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*Our Mission:*

*"To be the insurer of choice for exporters and investors in member countries, engaged in the provision of competitively priced, comprehensive, and innovative Sharia Compatible Export Credit and Investment Insurance products"*