

Second Quarter 2019



EDITORIAL

Under the auspices of the African Insurance Organization «AIO», Tunis Re has the great pleasure to organize jointly with the Tunisian Federation of Insurance Companies, the «24th African Reinsurance Forum» which will take place in Tunis from September 29 to October 1st, 2019. The theme of this year's debate focuses on:

«African (Re)insurance facing New Regulatory Challenges».

The choice of this theme is ordered by the imminent entry into application of new laws and obligations in the world of insurance and reinsurance.

Economic constraints are no longer the only challenges that affect the performance and sustainability of financial institutions. In recent years, new regulations and legal obligations have come to the responsibility of institutions, including those of the profession of (Re) insurers.

Compliance management should thus play an important role within (Re) insurance companies: Establishing and conveying a culture of compliance become the key to sound and prudent management and also a mitigation measure of risks that can arise from noncompliance.

In this context, the integration of the new IFRS 17, which will profoundly change the accounting for insurance contracts and the presentation of the income statements, will require major adjustments in information systems and actuarial models of claim projections.

On the other hand, the phenomenon of general digitization of all activities, and the multiplication of data make the issue of protection of personal data unavoidable. Nowadays, no industry escapes the collection and processing of data and therefore none of them will be able to escape the obligation to respect the principles of data protection: the insurance and Reinsurance industry is no exception.

Our African companies are thus called upon to implement effective mechanisms of good governance, mainly in terms of compliance, adaptation to IFRS Standards and in respect to the protection of personal data.

The 24th African Reinsurance Forum, would certainly offer them a good opportunity for exchange and consultation.

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Next Generation Insurance :

Prevention prior to compensation



By Asma Naimi

Definition

The prime notion on which prevention is based is «Risk». Prevention comprises every measures undertaken to prevent a risk, that is to totally prevent it from occurring, or failing that, to avoid its consequences or to reduce the damage or the frequency.

«Prevention is better than cure.»

In insurance, Risk Prevention in its broadest sense is an approach to be implemented as far upstream as possible and consists of three main actions:

- 1. Prevention:** Action to reduce the frequency of risk. It is an attitude and / or the package of actions to be taken, consisting of limiting the risk and aiming at preventing this risk by canceling or reducing the probability of occurrence of the dangerous phenomenon.
- 2. Protection:** Action to reduce the severity of the risk. Protection encompasses all measures aimed at limiting the extent and / or severity of the consequences of a hazardous phenomenon, without affecting the probability of occurrence.
- 3. Precaution:** It applies to emerging risk situations where scientific data are lacking to qualify the gravity or the nature of the exposure, its probability of occurrence, when there are no statistics of sufficient undesired events or reliable cause-and-effect explanation models.

«Forget everything you know about insurance».

In a rapidly changing world, risks may seem increasingly diversified and complex for both policyholders and insurers. In order to control their risks, policyholders can no longer simply well manage their insurance policies, but also identify the threats and imagine the scenarios for ending the crisis in the event of their occurrence. At the same time, insurers, beyond mere compensation, must be positioned as referents in terms of prevention and warning in order to reduce risks or limit the damage they might cause.

It is on this basis of convergence of interests between insured and insurer that the latter saw his role evolve from simple «risk taker» into a prevention orchestrator and service provider of performance improvement. And it is through prevention that insurance will be redefined and the insurer could regain the confidence of the insured.

A new business model reversing the traditional model of insurance and any notion of reverse production cycle.

A new business model to invent around prevention ?

Selon According to Jean-Claude Sudre, expert in Insurtech and connected insurance, «insurers should think now about the transformation of their business model around prevention», by proposing new services invoiced instead of a part of the insurance premium, **thus reversing the traditional model of insurance and any notion of reverse production cycle.**

This idea is shared by a large number of insurers and reinsurers worldwide, and is even at the origin of the emergence of new insurance players, whose objective is to hold policyholders responsible and give them the willingness and the means to reduce avoidable risks. Lemonade , whose motto is «Forget everything you know about insurance,» is the most powerful example.

Then, a solid body was built-up that starts with prevention in insurance and goes up to reinsurance
Examples: To prevent smoking, if the Supplemental Health Subscriber is a smoker and wants to stop smoking, his insurer reimburses him for the nicotine medications and products prescribed by his doctor for the purpose of smoking cessation.

Similarly, to prevent drunk driving, being the leading cause of death among young people, if an insured driver is under 30, he benefits from the Joker guarantee which entitles him every year to 5 returns home by taxi, if he is not fit to drive.

Africa Re engaged early on in long-term health and agricultural risk prevention programs in Africa through the funding of index and frequency studies and national disease prevention campaigns such as Malaria in Benin, Niger, Angola, Nigeria and AIDS in Burkina, Tanzania, Etc...

Examples of prevention in health agricultural and motor insurance, being the most affected branches, are not lacking. However, the most complex model remains that of Cat-Nat prevention and several modeling works are carried out on the natural disaster records on thirty years and more.



1. Lemonade, the first NewYork insurtech that has created a new model for insurance based on behavioral economics and technology by using the artificial intelligence and Chatbots..

The massive use of connected objects, the expected success of autonomous vehicles... have disrupted the insurance sector.

Tunisia has set up an exclusively appropriate mechanism to finance the actions of prevention against traffic accidents.

And this, in order to achieve more effective prevention of Cat Nat and predict the costs of damages, taking into account the increase in frequency and intensity.

The prevention of natural hazards could be conducted collectively on a global model that offers parametric insurance to limit the financial impact of catastrophic events. This model of prevention and compensation of natural risks must bring together several countries around pools of risks (for example, floods, drought, hurricanes, etc.).

But for these new information-based models to be maximally effective, there must be a structural upheaval in reluctance and rules for data collection and protection

IoT to serve prevention :

A risk prevention strategy would be structurally linked to the collection of information. And by using new data sources, insurers can assess the risk and then develop the various strategies to keep it under control, ranging from risk transfer to avoidance through minimization adverse effects and acceptance of some consequences, and finally alert the insured to the potential loss BEFORE it occurs.

It is true that intelligent technologies, the massive use of connected objects, the expected success of autonomous cars... have disrupted the insurance sector, but they also offer us mines of information exploitable in all activity fields : Insureds' & behavioral data, aerial and drone imagery, Photos, documentation, cyber threat metadata, biometrics data, weather & environment data, seismic data, catastrophic event data, fight fraud ...

All of this information shared across ecosystems and specialized platforms combined with the cloud, which is a robust and scalable data repository, creates a cross-collaboration parameter and has the potential to prevent and significantly reduce risks.

In addition, this continuous connectivity keeps risks under constant surveillance and quickly identifies any correlations or anomalies based on real-time data flows. This is the case in France where the FFA has created an association «Insurers Prevention» to inform on the daily risks and how to prevent them. As such, it informs in real time in particular about the dangers of the road and the behaviors to privilege for more security, through applications, videos, studies and technological tools.

Tunisian insurers, Which lever for action ?

Tunisian Law No. 2005-86 of 6 August 15, 2005, tasked a mechanism exclusively appropriate to fund the actions of prevention against traffic accidents «Fund for the prevention of traffic accidents». This fund, mainly financed by the insurance companies and the contributions of insureds, contributes to the financing of the prevention programs against the traffic accidents within the framework of program contracts concluded with the players (associations, ministries, observatories ...) such as the awareness-raising campaigns, trainings, information, studies and research in the field of accident prevention, acquisition and installation of equipment that could strengthen programs to prevent accidents...

In addition to their participation in the national effort of prevention and reduction of the loss ratio, some other lines of action are recently led by Tunisian insurers, like the CTAMA which sponsored in March 2019 the launching the farmland treatment project using aircraft; and educating farmers on the critical role of this technique in controlling insects and fires.

CARTE Assurances, also innovated in health prevention by inaugurating in early August 2018, the campaign «RoadshowSahaty» which consists of a national tour of medical prevention aboard a bus equipped to offer interested parties analyzes and basic exams as well as practical and personalized advice to improve their lifestyle.

Assurances AMI and GAT Assurance also acted in road safety by simulating the real conditions of an accident in front of the GAT headquarter in order to make drivers aware of the importance of wearing a seat belt. And AMI, which annually rewards its most attentive affiliates on the road by offering them free car insurance contracts.

However, like the regional and neighboring markets, the Tunisian insurance market has not specifically developed new prevention models and has not yet moved to the offensive stance in risk prevention.

In order to encourage Tunisian insurers to act, several options in terms of regulations, consolidation of efforts and inter-company agreements are possible. And the actions, whether innovative or duplicated, can only have a positive impact on insurance companies that will win the confidence of their policyholders and limit compensation costs. ■

NEWS

National

Tunis Re Flash Infos

• L'AM Best has affirmed on July 24th, 2019, the financial strength rating of **B+ (Good)** and long term issuer credit rating of «bbb-» of **Tunis Re**, with stable outlooks of both ratings. This Confirmation will support further the financial credibility of the company and offers new opportunities abroad.

• On June 24, 2019, Tunis Re organised a workshop on "The mapping of insurance risks in Tunisia" animated by Ms. Marie-Elise Lorin & Mr. Louis-Alcime Lorin (French Risk Management experts).

• Tunis Re held a press release at its headquarters on Wednesday, May 08, 2019. The financial communication was led by the Chairman and General Manager, Mrs Lamia Ben Mahmoud, and focused on the company's activity in 2018 and its development prospects during the 2019-2022 period.

(Re)Takaful: Implementation of Accounting Standards postponed

The General Insurance Committee "CGA", in response to a request from Takaful insurance companies, has approved the postponement of the accounting standards implementation for the financial year 2018.

Tunisia: Raising in the retirement age from 60 to 62 years

The new Law No. 2019-37 on April 30, 2019 amending and completing Law No. 85-12 on the retirement and survivors' pension system of public sector raises the retirement age by two years, as from 1st January 2020.

However, any employee remains entitled to extend his/her retirement up to the age of 65.

The ratification of the FATCA law on tax evasion

In the context of consolidating international transparency in the fight against tax evasion and money transfer, the parliament has recently ratified the treaty signed between Tunisia and the United States of America, which stipulates the mutual exchange of information relating to accounts and implementation procedures of the Foreign Account Tax Compliance Act (FATCA).

CTAMA: Management of the Cat-Nat Fund

CTAMA has recently won the tender launched by the State to manage the Fund for compensation of farm losses caused by Natural Disasters in the agriculture and fisheries sector.

CNAM : The introduction of «Labès» Electronic Card

The electronic card of the National Health Fund «CNAM», officially named «Labès», which will replace the paper health card, will reduce travelling to the CNAM, improve the quality of health services management, optimise the control of ceilings and payments and minimise the risks of fraud. The official implementation of this card is expected in next November.

« Salim Assurances »: New brand identity

An Extraordinary General Meeting of «SALIM Assurances» will be held on Thursday, August 8, 2019, in order to deliberate on the change of the company's corporate name to «BH Assurances» in line to the new visual identity of the parent company "BH Bank".

Nominations

• Ms Mariem Zine has been appointed Managing Director of "GAT-Life".

• Ms Dalenda Bayou was reappointed as head of the Association of Stock Exchange Intermediaries «AIB».

International

Reinsurance: A record level in 2018

Despite stable rates, the total turnover of reinsurance companies reached a highest level in 2018 with more than USD 250 billion of generated premiums with an annual growth rate of 5% due to an increase in global demand.

Marine traffic: Pressure on insurance premiums

The acts of sabotage which targeted six tankers in one month have seriously aggravated risks for insurers and ship-owners, in particular «War Risks». The combined cost of tanker and cargo insurance has since grown 10 times (the insurance premium for a ship of US\$75 million has risen from US\$30,000 at the beginning of the year to over 200,000 now).

Morocco: Takaful Insurance law was adopted

The draft law n°87-18 amending and completing the law n° 17-99 of the Insurance Code, which introduced the takaful insurance, was adopted by the Finance Committee of the Second Chamber. The vote in plenary session will follow shortly.

The development of Cat-Nat risks insurance in Africa

The African Institute for Economic Development and Planning (IDEP), the African Risk Capacity (ARC), the International Finance Corporation (IFC) and the African Association of Insurance Supervisors (AAISA) have created a consortium of development agencies in order to encourage insurance against risks of natural disasters in Africa.

Acquisitions and Mergers :

• "Nest Investments Holdings", the parent company of Trust Re, has strengthened the financial basis of the Bahraini reinsurer with the injection of US\$130 million.

• The American International Group «AIG» has announced the launch of AIG Re to manage the parent company's reinsurance operations. Christopher Schaper has been appointed as CEO of AIG Re.

Appointments

• Mr. Chakib Abouzaid has been appointed as the new General Secretary of the General Arab Insurance Federation «GAIF».

• The African Insurance Organisation (AIO) appointed Ms. Delphine Traoré as its new President at the end of its General Assembly which held in Johannesburg.

• Mr Jean-Baptiste Ntukamazina, President of the AIO in 2014, has been appointed as the new General Secretary of the African Insurance Organisation «AIO», succeeding Ms Prisca Soares who will continue within the organisation as an advisor.

• Ms Florence Lustman was elected President of the French Insurance Federation «FFA» as of October 1st for a 3-year term to succeed Mr Bernard Spitz.

Events

• The 26th FAIR Conference will hold in Marrakech, Morocco from the 23rd to 25th September 2019, under the theme: «The New Economic Barriers to the insurance of Afro-Asian markets».

• The 24th African Reinsurance Forum of the AIO will be held in Tunis, Tunisia from 29th September to 1st October 2019. The Theme of the Forum is :

« African (Re) Insurance Facing New Regulatory Challenges ».

Activity Figures of The Tunisian Insurance Market As at 31.03.2019

In MDT

At March 31st, 2019, The Insurance sector in Tunisia has been characterized by :

- The market generated a total turnover of TND 768.1 million, showing an increase of 5.8% over the same period last year.
- Total indemnities has reached TND 317.1 million reporting an increase of 22.6% compared to 31.12.2017.
- A total number of underwritten policies of 966 476 with an increase of 14.5%.
- A total number of reported claims equal to 383 447 decreased by 4.7% over the same period last year.
- Investments have reached TND 5 548 million, up by 9.8% compared to 31.03.2018.

	2017	2018	Evol	31/03/2018	31/03/2019	Evol
Turnover	2 088.6	2 228.2	6.7%	726.3	768.1	5.8%
Motor	940.4	975.5	3.7%	333.1	357.8	7.4%
Life	442.5	500.6	13.1%	115.5	123.1	6.6%
Others	705.7	752.1	6.6%	277.7	287.2	3.4%
Claim Charges	1 050.6	1 178.6	12.2%	258.6	317.1	22.6%
Motor	575.3	626.4	8.9%	133.2	166.5	25%
Life	136.5	159.7	17%	33.40	37.20	11.4%
Others	338.8	392.5	15.9%	92.0	113.4	23.3%
Nbr of underwritten policies	2 456 116	2 556 988	4.1%	844 346	966 476	14.5%
Motor	1 513 393	1 547 157	2.2%	511 973	554 462	8.3%
Life	497 210	532 987	7.2%	169 475	183 528	8.3%
Others	445 513	476 844	7%	162 898	228 486	40.3%
Nbr of Reported Claims	1 446 121	1 517 365	4.9%	402 526	383 447	-4.7%
Motor	278 012	293 475	5.6%	68 633	75 580	10.1%
Others	1 168 109	1 223 890	4.8%	333 893	307 867	-7.8%
Investments	4 891.2	5 437.5	11.2%	5 052.1	5 548	9.8%
Non-Life	3 327	3 676	10.5%	3 535.9	3 761.8	6.4%
Life	1 564.2	1 761.5	12.6%	1 516.2	1 786.2	17.8%

The Editorial Board of Tunis Re



From left to right : Mrs Nahla Haoual, Mrs Sonia Chayada, Mr. Said Radouche, Mrs Monia Ben Said, Mr. Mounir El Behi, Mr. Mustapha Chamri & Mrs Asma Naimi

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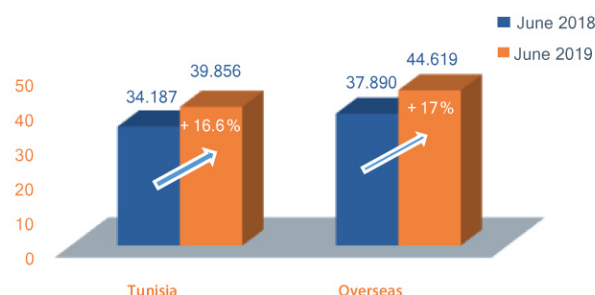
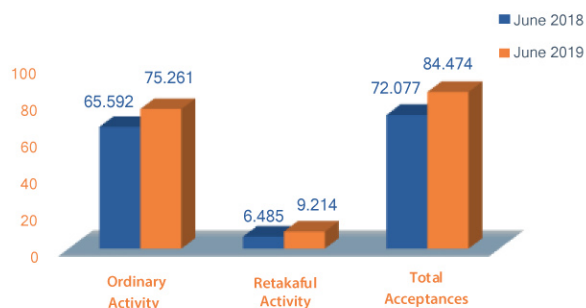
Activity Figures of Tunis Re

2nd Quarter 2019



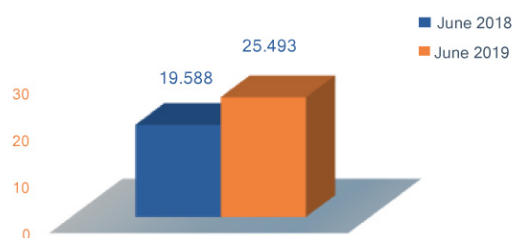
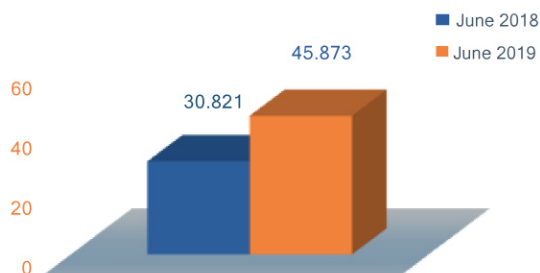
Turnover: Overall Performance +17%

(M TND)



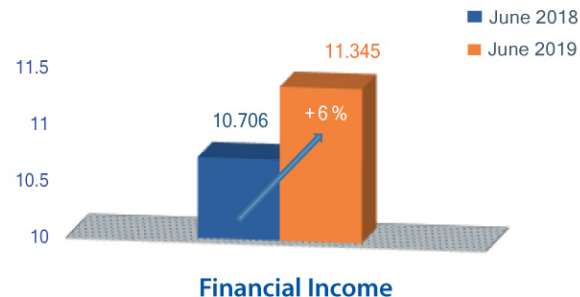
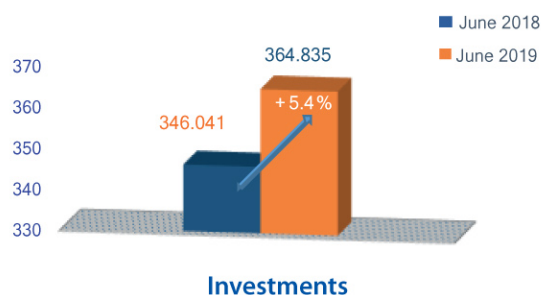
Net Claims : Rise by 30%

(M TND)



Financial Income : Increase by 6%

(M TND)



Stock market : Figures as at 30.06.2019 of the listed Insurance Companies

(In M TND)

Company	Premiums			Losses			Investments		
	June-19	June-18	Var %	June-19	June-18	Var %	June-19	June-18	Var %
STAR	212.214	208.409	2%	157.609	124.991	26%	41.186	31.692	30%
ASTREE	104.765	98.674	6%	27.774	25.301	10%	55.836	13.784	305%
SALIM	65.223	58.727	11%	26.370	26.540	-1%	6.537	3.391	93%
Tunis Re	84.474	72.077	17%	45.873	30.821	49%	11.345	10.706	6%