24Th African Reinsurance Forum . Tunis 2019

EDITORIAL

Like every year, the annual meeting of reinsurance professionals was held on October in Baden-Baden, Germany just one month after the first round, which gathered reinsurers, insurers and brokers in Monte Carlo. Prior to the renewals of January 1, 2020, what is the situation of the reinsurance market?

The pre-renewal discussions between the various insurance and reinsurance players made it possible to anticipate the first trends in the evolution of the reinsurance context under the next renewals in January 2020. Trends in pricing, insurers appetite and the level of cover proposed for large risks.

With respect to natural catastrophes, which have occurred since 2017 to this day, affecting global reinsurers' results, the reinsurance world is hoping for better days, betting on an increase in insurance and new technological risks.

Renewal 2020 under the sign of tight market conditions

Henceforth, after several years of down cycle, characterized by an abundance of capacity, reductions in tariffs and interest rates, the year 2020 marks the end of this cycle with a shortage of capacities; increased prices ranging from 5% to 20% are expected.

This reversal of the market is the result of the heavy losses caused by the natural disasters that occurred in 2019 and affected the Caribbean and the United States (the Hurricane Dorian) and Japan (Typhons Faxai and Hagibis).

Thus, for the first time since 2001, the insurance market will experience a systematic increase in rates, most often accompanied by a decline in the capacity of insurers and reinsurers. This will lead, in principle, to a real market change, or even a «hard market» where insurers will become more selective and more attentive to the choice of risks against customers with greater retention.

Reinsurers have also highlighted the emergence of new risks, particularly cyber risks, whether cybercrime or cyber-terrorism, this market of digital risks has represented around US $ 5 billion worldwide in 2017 and could reach US $ 9 billion by 2020.

Lamia Ben Mahmoud

Artificial Intelligence :
What Impacts on Insurance Industry ?

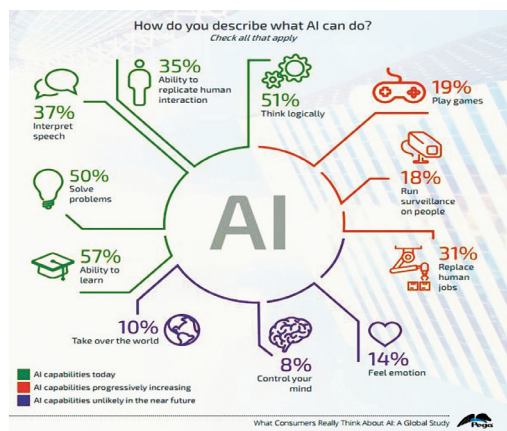*"Knowledge without wisdom, is artificial intelligence…"*

By Said Radouche

Artificial Intelligence (AI) is gradually transforming the way how the economy and society can be organized. Thanks to the mathematician Alan Turing, the Concept was introduced in the 1950s, which raises the question of bringing to machines a form of intelligence. Clearly, the AI is a vast field affecting as much computer science as mathematics, but also neuroscience and even philosophy. The AI relies on algorithms that are able to adjust calculations according to the treatments that they have to perform. In the last few years, AI has been deployed in increasing number of areas, such as finance, industry and marketing, until then, insurers were out of business. The strong insurance activity regulation, the complexity of capital rules, as well as the technical requirements for risk management, can explain the insurance industry's "delay" in digitization. However, experts predict that AI could lead every major insurance decision over the next decade.

I.   Impact of Artificial Intelligence (AI) on Insurance ?

The AI AI can change the assurance of its current state from "detection and repair" to "forecasting and prevention", transforming thereby the industry process. The pace of change is expected to speed up as the insurance market players are using advanced technologies to improve decision-making and productivity, to reduce costs, and to enhance the customer experience.

Insureds' expectations from their insurers are increasing, driven by technological advances. They require simple, personalized and varied products adjusted to their needs.

The **AI** can change the assurance of its current state from:

"Detection & Repair" to "Forecasting & Prevention".

How do you describe what AI can do?
Check all that apply

- 37% Interpret speech
- 35% Ability to replicate human interaction
- 51% Think logically
- 19% Play games
- 50% Solve problems
- 18% Run surveillance on people
- 57% Ability to learn
- 31% Replace human jobs
- 10% Take over the world
- 8% Control your mind
- 14% Feel emotion

AI capabilities today
AI capabilities progressively increasing
AI capabilities unlikely in the near future

What Consumers Really Think About AI: A Global Study

The impact of AI on some insurance business area will be significant. By 2030, Mckinsey notes, underwriting activities will be accelerated by algorithms that create risk profiles based on individual behavior.

Moreover, the logic of goods sharing will more often lead to use-by-demand insurance rather than ownership.

Standards will be the automation, while an adapted pricing will be available in real time through a dynamic risk assessment.

AI can bring significant innovations to the insurance industry in a number of different ways:

a)   Customer orientation and value-added services :

The insurance industry produces a lot of data, this abundance of data can be used to refine the customer segmentation and provide customised offers.

The integration of the AI in the process will allow the interaction with the customer in a more automated manner, hence a better knowledge of the latter, a better management of the omni-channel customer relationship, and give the right answer at the right time. Finally, the IA will allow more control and optimization of management expenses:

• Zelros (2016, France) offers a chatbot specialized in insurance for customer relationship in pre-sales for the sales contracts and claims management.

• Natixis Insurance uses robotic process automation (RPA) system to automate the contracts closing and guarantee communication by email with its policyholders.

• Captricity uses Machine Learning to convert handwritten documents into structured data, in order to use them for a better customer understanding.

b)   Risk Analysis / Underwriting / Contract Portfolio Management

AI gives insurance companies the ability to link public figures to specific business data in order to develop more accurate risk management. The ability to ingest a huge volume of data (reports, documents, forecasts, ratings and financial & medical history) allows to provide ideas, diagrams and recommendations that are more reliable than those given by some business experts. Furthermore, the AI makes it possible to refine the pricing by analyzing more granular data.

• Cytora (2014, UK,) achieves a risk analysis and goes as far as helping insurers on pricing in order to minimize losses.

• Dreamquark enables the creation of accurate representations of health data in order to improve the efficiency of the underwriting process of insurance companies.

c) Claims Management

AI makes it possible to automate the time-consuming and prohibitive processes of claims management, thus saving time for advisors who can concentrate on their core business, by automating the collection and analysis of fragments, which will considerably reduce the processing time of claim management. In addition the machine is not only claims manager but becomes a real player in the customer relationship, able to interact with the insured and offer him / her services and / or specific types of assistance, able to interact with the insured and offer him / her services and / or specific types of assistance.

• Tensorflight (2016, USA) uses AI and aerial imagery to automate aerial inspection of real estate and assess potential damage from natural disasters.

d) Automation tasks with low value added

In search of quality, productivity, cost reduction and solutions to relieve them of all their time-consuming and value-added tasks, companies are becoming more interested in AI, which can automate quickly some of the repetitive low-value back-office management tasks.

• Riskgenius (2015, USA,) is the origin of a language processing solution that manages the cycle of creation and modification of insurance contracts.

e) Fraud detection

With AI, what was complex and expensive becomes much more accessible, simply because it is now possible to analyze large volumes of data and correlate them to identify potentially risky behaviors. What's more, the AI can help reduce the number of false alerts generated, which allows operational teams to save time and efficiency in dealing with fraud.

• Shift Technology (2014, France) specializes in detection of organized fraud with a cloud solution, provides businesses with an innovative solution to improve fraud detection.

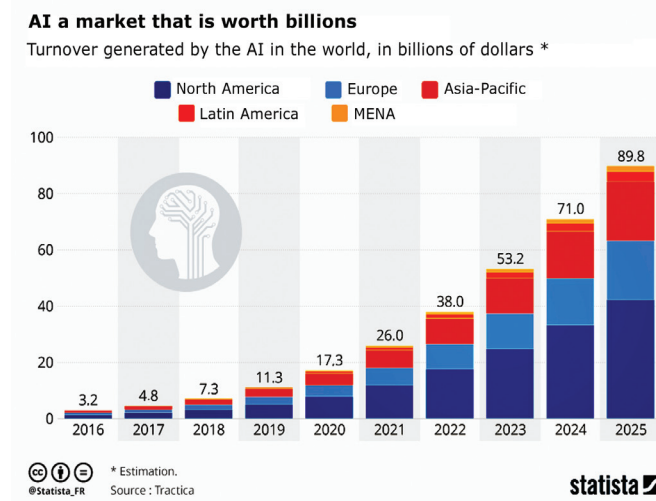## II.   What about AI in Tunisia ?

With the «Tunisia digital 2020» and «Smart Gov» plan, Tunisia has already implemented a strategy to digitize its economy, it has taken a proactive approach to put in place strategies to promote IA in the growth sectors. Moreover, in the rankings compiled by Oxford Insights and the "International Development Research Center (IDRC)", the 2019 Index regarding the AI preparation under taken by States in the World, Tunisia is ranked 54th and in the Top 5 African countries. Tunisia is therefore able to consider itself as a pioneer of the AI sector in Africa and the Arab world.

Despite this technological maturity of Tunisia, insurers do not seem to follow the pace of change, even if the need of the customer begins to mutate with the acceleration of the use of new technologies.

In line with other sectors, the insurance industry needs to embark on a profound transformation by adopting a digital model and integrating the AI that will allow insurers to consolidate and align all digital efforts to achieve objectives and improve financial performance and will help to gain competitiveness.

III.   Conclusion

Finally, the insurance industry will indeed undergo a real transformation related to the digitalization of the sector and the use of AI. The major impacts will be seen in the medium term or even in the long term since the change requires technical adaptations which call for reflection in order to identify and evaluate these new methods used.

"The machine is not only claims manager but becomes a real player in the customer relationship".

"Tunisia is able to consider itself as a pioneer of the AI sector in Africa and the Arab world".

AI a market that is worth billions
Turnover generated by the AI in the world, in billions of dollars *

■ North America   ■ Europe   ■ Asia-Pacific
■ Latin America   ■ MENA

* Estimation.
Source : Tractica
@Statista_FR

statista

Some insurance sectors will be impacted faster than others, like motor, householder and medical insurance are at the forefront of innovation. For other lines of business, the impact will be gradual.

The insurance business will also be impacted, many will be adapted or even automated and new professions will be created, in connection with the mastery of new technologies.

According to analysts of McKinsey's consulting firm, artificial intelligence can generate $ 13 trillion to economic activity by 2030. Thanks to this new technology, global economic growth can increase by 1.2% per year until 2030.

Thus, today today no one can run the risk of staying out of these imminent and inevitable changes. ■

National

Tunis Re Flash Infos

• Tunis Re's compliance with the MSI20000 financial standard has just been reaffirmed. This certification, renewed in October 2019, supports the company's financial credibility and offers new opportunities abroad.

• In accordance to Law N°2019-24, Tunis Re was appointed to manage the Fund section allocated for compensation of victims of the floods that occurred in the governorate of Nabeul in September 2018. As part of this process, an agreement was signed on August 8, 2019 between the Minister of Finance and the Chairman and General Manager of Tunis Re.

• Tunis Re organises, on 31 October 2019, a workshop on «Credit and Bond Risks Insurance», which will be animated by Tunisian and foreign specialists.

Tunisia officially recognised as compliant by the « FATF »

The Financial Action Task Force (FATF), which met in plenary on 18 October 2019, officially decided to remove Tunisia from its blacklist of countries exposed to money laundering and the financing of terrorism as a result of the measures taken by the Tunisian government.

Tunisian-Moroccan Debate on Risk-Based Solvency

A Tunisian delegation, led by Mr. Hafedh Gharbi, Chairman of the General Insurance Committee in Tunisia «CGA» and Mr. Habib Ben Hassine, President of the Tunisian Federation of Insurance Companies «FTUSA», as well as several General Managers of Tunisian insurance companies, visited their Moroccan peers on 9 and 10 October 2019.

The meeting was part of a process of sharing experiences, particularly in the field of risk-based solvency.

Insurance Companies worrying about the exceptional contribution to the Social Security Funds

The insurance sector is once again raising doubts about the introduction into the 2019 Financing Law of an exceptional contribution to social security funds for 1% of turnover. This charge is planned from 1 January 2020 and subsequent years.

Takaful Insurance TAX

The draft budget law 2020 proposes, as part of the ongoing tax reforms, to extend the same tax regime applied for conventional insurers to takaful insurance companies, while taking into account the specificities of the Takaful activity.

CARTE buys 39% of UBCI's capital

On 28 August 2019, the BNP Paribas Group and CARTE Group signed an agreement for the acquisition by CARTE Group of 7,800,000 shares of Union Bancaire pour le Commerce et l'Industrie «UBCI», for a total amount of 183.3 million dinars, representing a 39% share in UBCI's capital.

Zitouna Takaful wins the International ' Best Customer Service of the Year

Zitouna Takaful has just been elected, in its « Insurance « category, the best customer service of the year 2020. This unique international valuation brand was introduced in Tunisia at the beginning of 2019 through «Qualimétrie», a Tunisian company that holds the exclusive representation of the above mentioned brand.

International

The United Nations: Let's Protect our World Heritage

The UN Environment has announced the release of the first guide «Protecting our World Heritage, Ensuring a Sustainable Future». The main objective is to provide practical advice to insurers on how to reduce the risk of insuring and investing in companies or projects whose activities may damage World Heritage sites. This guide is the result of the United Nations Principles of Sustainable Insurance (PSI) initiative, the greatest collaboration between the United Nations and the insurance industry, WWF and the UNESCO World Heritage Centre, with the support of ECOFACT, a sustainable service provider.

Aviation: Towards a tighter market

Since 2017, aviation market professionals have been suffering from an increase in claims, with exceptional losses as a result of which some major insurers and reinsurers withdrew from the aviation insurance market between 2018 and 2019 (notably Hiscox, Berkley, Aspen, Brit and MS Amlin). Experts predict increases in rates for non-affected insurers and larger premiums to affected accounts for the 2020 renewal.

Algeria: New tax on car insurance policies

The Algerian government plans to introduce, in its draft Finance Law for the year 2020, an environmental tax of 1,500 DZD for passenger vehicles and 3,000 DZD for other types of vehicles. This new tax will be applied to all motor insurance policies.

Gabonese insurance market in the first half of 2019

In the first half of 2019, the Gabonese insurance market recorded a significant 52.99% increase in turnover, totalling nearly US$ 82 million. The fire and motor branches showed respective trends of 55.80% and 26.14%. On the other hand, life insurance recorded a decline in premium income of 3.8%. In addition, claims charges declined by 2.43% compared to the same period in 2018.

Turkey: Creation of Turk Re

A new state-owned reinsurer «Turk Re» has been established in Turkey. It will mainly be in charge of managing the natural disasters pool. Mrs Selva Eren has been appointed as General Manager.

France : Fight against uninsured drivers

Following the introduction of the FVA «Fichier des Véhicules Assurés» last June, a new measure has been implemented since 6.10.19 to check any vehicle flashed by an automatic radar, which verifies whether or not the vehicle is insured only through its registration number.

Libya: International Insurance Forum

The first International Insurance Forum was held on 14 & 15 October 2019 in Tripoli, Libya. The theme of this 1st edition was: «Takaful insurance : reality and perspectives».

Acquisitions & Mergers

• Amsa Assurance Senegal has acquired 22% of the shares of the Gabonese company Ogar Assurances.

Nominations

• Mr. Hussine Malluk has been appointed Managing Director of «Arab Re».
• Mr. Hulki Yalçin has been appointed CEO of «Milli Re».
• Mr. Garikai Gidion has been appointed Managing Director of «Ren Re».
• Mr. Wael Al-Sharif has been appointed CEO of «Takaful Emarat».

Activity Figures of The Tunisian Insurance Market As at 30.06.2019

In MDT

At June 30th, 2019, The Insurance sector in Tunisia has been characterized by :

- The market generated a total turnover of TND 1325.7 million, showing an increase of 7,4% over the same period last year.

- Total indemnities has reached TND 635.5 million reporting an increase of 13.6% compared to 30.06.2018.

- A total number of underwritten policies of 1 715 471 with an increase of 4.9%.

- A total number of reported claims equal to 726 045 decreased by 4.6% over the same period last year.

- Investments have reached TND 5 688 million, up by 8.1% compared to 30.06.2018.

	2017	2018	Evol	30/06/2018	30/06/2019	Evol
Turnover	**2 087.9**	**2 252.4**	**7.9%**	**1 234.2**	**1 325.7**	**7.4%**
Motor	939.8	980.4	4.3%	554.3	601.7	8.6%
Life	442.5	507.2	14.6%	248.0	264.9	6.8%
Others	705.6	764.8	8.4%	431.9	459.1	6.3%
Claim Charges	**1 050.9**	**1 260.0**	**19.9%**	**559.2**	**635.5**	**13.6%**
Motor	575.0	660.4	14.9%	298.8	340.5	14%
Life	137.0	164.1	19.8%	68.60	70.20	2.3%
Others	338.9	435.5	28.5%	191.8	224.8	17.2%
Nbr of underwritten policies	**2 861 149**	**2 999 947**	**4.9%**	**1 634 590**	**1 715 471**	**4.9%**
Motor	1 803 021	1 832 591	1.6%	968 786	989 534	2.1%
Life	497 210	533 561	7.3%	314 617	328 129	4.3%
Others	560 918	633 795	13%	351 187	397 808	13.3%
Nbr of Reported Claims	**1 446 121**	**1 446 374**	**0%**	**761 074**	**726 045**	**-4.6%**
Motor	278 012	293 484	5.6%	135 243	146 383	8.2%
Others	1 168 109	1 152 890	-1.3%	625 831	579 662	-7.4%
Investments	**4 891.2**	**5 437.5**	**11.2%**	**5 264.3**	**5 688.4**	**8.1%**
Non-Life	3 327.0	3 676.0	10.5%	3 691.8	3 873.2	4.9%
Life	1 564.2	1 761.5	12.6%	1 572.5	1 815.2	15.4%

Gala Dinner offred by Tunis Re on the occasion of the 24th African Reinsurance Forum

Activity Figures of Tunis Re
3rd Quarter 2019

Turnover: Overall Performance +19%

(M TND)

Sept. 18
Sept. 19

Ordinary Activity: 91.018, 106.126, +16.6%
Retakaful Activity: 10.142, 14.087
Total Acceptances: 101.160, 120.213, +19%

Tunisia: 44.514, 55.502, +25%
Overseas: 46.504, 64.712, +39%
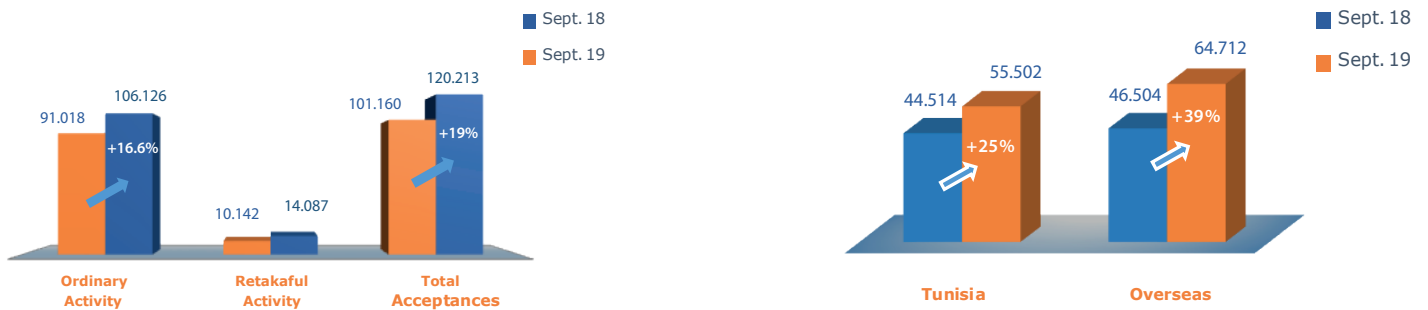
Net Claims : Rise by 12%. The contribution of the retrocession represents 36%

(M TND)

Sept. 18
Sept. 19

Gross Claims Charge: 56.603, 62.687

Net Claims: 36.077, 40.261

Investment Income : Increase by 14%

(M TND)

Sept. 18
Sept. 19

Investments: 362.227, 378.936, + 4.6 %

investment Income: 15.764, 17.967, + 14 %

Stock market : Figures as at 30.09.2019 of the listed Insurance Companies

(In M TND)

Company	Premiums			Gross Claims Charge			Investments		
	Sept-19	Sept-18	Var %	Sept-19	Sept-18	Var %	Sept-19	Sept-18	Var %
STAR	296.374	286.097	4%	218.265	178.022	23%	59.363	45.524	30%
ASTREE	135.273	127.150	6%	55.025	38.850	42%	62.780	18.730	235%
SALIM	90.523	79.753	14%	40.597	38.145	6%	10.113	7.633	32%
Tunis Re	120.213	101.160	19%	62.687	56.603	11%	17.967	15.764	14%