

Fourth Quarter 2019

Workshop organized by Tunis Re on:
Credit and Surety Risk Insurance
(31 Octobre 2019)



EDITORIAL

Tunis Re has the great pleasure to organize jointly with the Tunisian Federation of Insurance Companies and the General Arab Insurance Federation «GAIF» the 15th Carthage Rendez-vous which will take place in Tunis, from the 22nd to the 24th of March 2020.

The theme of debate for this session focuses on:

«The Arab (Re)insurance Industry Facing the New Digital and Regulatory Challenges».

The choice of this topic is driven by the insurance sector's increasing exposure to new changes impacting profoundly the industry's core of business.

The environment is becoming more and more complex, with the growing digital revolution affecting all sectors of activities, particularly the insurance sector, where the use of digital technology in the insurance process is becoming one of the major challenges for the coming years, on the one hand;

On the other hand, the insurance sector, and especially the Arab insurance sector, is exposed to an increasing number of controls which will be further intensified with the implementation of new texts and regulations in the insurance industry including: risk-based solvency, new laws on anti-money laundering, the General Regulation on Personal Data Protection, IFRS 17 standards...

Companies are therefore called up to establish efficient mechanisms of good governance and to ensure compliance with the requirements imposed by the new texts.

Tunis Re, aware of the new challenges facing the Arab (re)insurance industry, is constantly working to strengthen exchanges between the industry's various players in our region.

This meeting of insurance and reinsurance companies under this 15th Carthage Rendez-vous would provide an opportunity to discuss the current issues and offer an opportunity to pool the sector's professional skills in order to consolidate further the existing relationships and create the appropriate frameworks to develop new solutions over the coming years.

While wishing the 15th Carthage Rendez-vous all success, we reiterate our hope that the year 2020 will bring stability, prosperity and well-being to the world.

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Risks to Tour Operators

Thomas Cook case

"The greatest certainty is that nothing is guaranteed..."



By Asma Naimi

"Thomas Cook had 2,600 travel agencies, 33 tour operators and 89 planes".

The idea put forward in 1841 by the British businessman Thomas Cook of creating a Tour Operator was nothing less than a stroke of genius. It was in the form of a company specializing in package holidays, bringing together several services from different suppliers (airlines, hotels, transport operators, restaurants, guides, etc.).

The Power & Influence of Tour Operators



What insurance for Tour-Operators ?

In addition to travel assistance insurance intended for the traveling public and covering individual unforeseen events (plane delay, missed departure, damaged luggage, death, emergency repatriation, etc.), several other systems were put in place to cover the various risks to which this business is exposed in the event of a major and critical event.

Some countries such as Germany and the Czech Republic have opted for a purely insurance system where the market is held solely by insurers. While in the Netherlands, tour operators have created a "disaster fund" which works like insurance and helps tour operators and their customers in the event of force majeure. Or, other countries have strengthened the insurance system by creating guarantee funds which intervene in the event of the provider's failure, namely APST in France, ATOL in the United Kingdom and the European Guarantee Funds' Association for Travel and Tourism EGFATT.

Indeed, tourism is not in itself a risky activity, but touristic activities are vulnerable and reactive to any disturbance in their system and / or operating environment. They are particularly sensitive to crisis situations related to transport.

Besides, all the schemes, as distinct as they may be, have experienced major events which disrupted the tourism sector: They had to intervene two years ago for successive bankruptcies in October 2017 of the airlines Monarch Airlines, Air Berlin, Aigle Azur, XL Airways and others .., whose repatriation and compensation magnitude were much less than those triggered by the resounding bankruptcy of the most iconic name of the travel industry «Thomas Cook».

Thomas Cook, The claim that should not happen

It was on September 23, 2019 that the parent company Thomas Cook went into compulsory liquidation with immediate effect. Following this news, all the stays and flights provided by Thomas Cook were canceled while the network of tour operator agencies closed, forcing the government to launch Operation Matterhorn, the largest peacetime repatriation in the Kingdom, a two-week program that cost £ 100 million.

The bankruptcy of the Tour operator has left more than 600,000 holidaymakers stranded all over the world, either in a repatriation or cancellation situation. They were fully covered within the framework of the tour operator guarantee system set up under the "European Package Travel Directive" jointly involving TO guarantee funds and insurers, each within its own field of competence.

Although under a high pressure, the assistants have relieved themselves of any obligation to intervene for the management of this incident.

“Thomas Cook collapse: 600,000 holidaymakers are stranded abroad and 22,000 unemployed workers”.

“No scheme in Europe has demonstrated its efficiency”

“The pressing need to offer Financial Insurance to the Tunisian travel agencies”.

The same goes for bank card insurances, their scope is limited to traditional guarantees and the bankruptcy of the tour operator is typically part of the list of exclusions of the assistance contracts taken out with travel agencies. However, in an act of compassion, some assistants like Allianz and AXA, ensured the rerouting of calls to Thomas Cook, offered free travel insurance transfer or full refund of the insurance premium for canceled trips.

However, several insurers have mobilized, in concert with the guarantee funds, on the front line in the management of this incident which falls under the TO financial cover.

- **In the UK**, ATOL has launched a refund program for around 300,000 canceled holiday package bookings for customers covered by financial insurance. This fund is protected by a reinsurance treaty limited to £ 400 million.

Also, some travel insurance policies provide, subject to additional premium, the supplier financial default coverage which allows the traveler the right to compensation.

For its part, the insurance captive of Thomas Cook «White Horse» has undertaken to honor all existing policies until they expire or come up for renewal, at which point customers will be invited to shop around for their next policy.

- **In Germany**, no guarantee fund is set up and only insurers such as Zurich Insurance and ERV cover Thomas Cook’s package travel against the financial risks of cancellation and insolvency of the provider.

- **In France**, unlike the UK and Germany, the financial cover is only valid if Thomas Cook agencies themselves were in default, which is not always the case. Thomas Cook France is the tour operator supplier of other agencies which didn’t went bankrupt and have no reason to activate their financial guarantee. However, the APST has taken charge of this estimated loss of 45 million euros. If the APST had not repatriated the customers from third-party TOs, it would have cost much more.

APST also has a reinsurance treaty in excess of loss, which covers any default losses which amount does not exceed 3 million euros each. Before that of Thomas Cook France, the fund recorded 1 million euros in claims in 2019. The priority being 6 million euros, and the Thomas Cook claim cost much more than 3 million, the reinsurance treaty in place is not designed to cover such a large claim.

Moreover, following this incident, the fund has exhausted its resources and plans to increase the agency fees by 30%, to reach just over € 2,000 a year.

As of 2020, the APST also plans to set up a Large Risks Committee so that significant risks can be assessed by people outside the profession such as insurers, bankers, ...

- **In Switzerland**, package tour providers like Thomas Cook are obliged to take out insurance with the Swiss Travel Federation. This reimburses the financial damage caused to customers in the event of the bankruptcy of the package provider.

What damages suffered the Tunisian Tourism?

Tunisia, which received through Thomas Cook an average of 150,000 tourists per year, is among the countries least affected by the crisis. However, the debt of this tour operator to the 40 damaged Tunisian hotels amounts, after revision and return on the invoices, to 70 million dinars (22 M €), which is far below other Mediterranean countries like Greece with a loss of € 500 million, Spain € 200 million and Italy € 100 million.

But beyond the hotels, it’s also the entire supply chain that could put one knee to the ground, and this collapse is also detrimental to Thomas Cook’s workers, carriers, service providers and receptive travel agencies.

It is noteworthy that that Tunisian tourism was hit in the 1990s by the bankruptcy of TO Carthago Reisen. And its Tunisian partners weren’t able to get reimbursed for lack of available assets, since they pass at the end after the priority creditors (State, taxes, employees, suppliers, etc.).

This time, Tunisia set up a crisis cell to deal with the fallout from the collapse of the British tour operator and had to collaborate with the British authorities to propose several possible solutions to properly regulate the debts of the tour operator with Tunisian hotels, including in particular the insurance solution, thus suggesting some glimmer of hope.

In this perspective of finding solutions and preventing the risks to which Tunisian travel agencies and tour operators are exposed, it is time for insurance companies to closely consider the appropriateness of setting-up an insurance system adapted to the Tunisian tourism sector.

In the first instance, it is necessary to coordinate with the National office of the Tunisian Tourism (ONTT), the Tunisian Federation of Travel Agencies (FTAV) and the Tunisian Federation of Hotels (FTH) in order to define the risks of this industry and offer the appropriate insurance products, including primarily the financial insurance. ■

NEWS

National

Tunis Re Flash Infos

- Tunis Re has renewed the contract of liquidity and regularity of its shares' listing as of December 4, 2019.

The contract is constituted of 405.000 shares and 2.215 million dinars of cash.

MENA FATF gives Tunisia a "Largely Compliant" rating

The Tunisian Financial Analysis Committee "CTAF" announced on Wednesday, January 8, 2020, that the Middle East and North Africa Financial Action Task Force (MENA FATF) has upgraded Tunisia's rating from "compliant" (10 recommendations) to "largely compliant" (26 recommendations), out of a total of 40 FATF recommendations relating to anti-money laundering and combating the financing of terrorism "AML/CFT".

Natural Disasters Compensation

According to Law n°2019-24, which extended the scope of intervention of the Insured's Guarantee Fund "FGA", to the compensation of damages resulting from the floods occurred in 2018, Tunis Re has been charged to manage the section dedicated to compensate the victims for material damages in the governorate of Nabeul.

Thereafter the situation as of January 17, 2020;

| Number of Files : | |
|-------------------------|---------------|
| - Deposited | 874 |
| - Treated | 51 |
| - Accepted | 39 |
| Amounts approved in TND | 1 387 383.890 |
| Amounts settled in TND | 1 069 456.124 |

A social solidarity contribution from insurance companies for the benefit of social security funds

The new Finance Law for 2020 has imposed a solidarity contribution of 3% on the income of insurance and reinsurance companies in favour of the social security funds.

COMAR joins the international mutual insurance network "Maxis GBN"

The insurance company "COMAR" has recently joined «Maxis Global Benefits Network» (Maxis GBN). COMAR will therefore issue policies to Maxis GBN's clients in Tunisia, which can be reinsured and included in the multinational's global benefits program.

Maxis network has nearly 140 local member insurers, covering more than 120 countries worldwide.

Partnership between CTAMA and Enda Tamweel

A partnership agreement was signed on December 30, 2019 between the Tunisian Agricultural Mutual Insurance Company «CTAMA» and the microfinance institution Enda Tamweel.

The agreement offers insurance coverage against fire, hail, greenhouse and livestock risks to Tunisian farmers and livestock producers who are clients of Enda Tamweel.

A Representative Office of WAICA Re in Tunisia

The Sierra Leonean reinsurer "WAICA Re" has just obtained the approval of the Tunisian authorities for the opening of a representative office in order to operate from Tunisia in the reinsurance field. Mrs Hanène Boukhris has been appointed as head of the office.

International

Costs of Natural Catastrophes lower in 2019

Economic losses caused by Natural Catastrophes and human disasters decreased in 2019 to US\$140 billion, compared to US\$176 billion in 2018, according to a preliminary estimate. Natural disasters alone caused about US\$ 133 billion of damage, down by 20% compared to 2018. The 7 billion remaining are the result of man-made disasters, which are down by 31%.

Insured losses amounted to around 56 billion US\$, which is lower than the average over the last ten years. In 2018, the damages covered by insurers amounted to 93 billion US\$.

CIMA adopts a regulatory measure on Takaful insurance

The Ministerial Council approved on October 10, 2019, Decree N°003/CIMA/PCMA/PCE/2019 regulating Takaful insurance operations in the member states of the CIMA zone.

Cameroonian Government waives VAT on Life Insurance

The government has waived the VAT rate of 19.25% on life insurance under the 2020 Finance Law, which could not be implemented in 2019 following the intervention of insurance companies, considering that life insurance policies with savings purposes are exempt from VAT.

Turkish Sovereign Fund takes control of state-owned insurance companies

The Turkish Wealth Fund "TWF", which manages nearly US\$50 billion, has taken control of state-owned insurance and pension fund companies.

The operation should be completed in the first quarter of 2020. The objective is to consolidate the state-owned companies and improve their competitiveness.

Acquisitions & Mergers

- The merger between «MetLife AIG ANB» and «Wala Cooperative Insurance» has been approved by the Saudi Arabian Supervisory Authority "SAMA".
- Sunu Assurances acquired five subsidiaries of the Allianz group in Africa (Benin, Burkina Faso, Mali, Togo and Central Africa).
- Zurich Insurance acquired 80% of Adira Insurance.

Appointments

- The Board of Directors of "CICA RE" held its 132nd session in Libreville, Gabon, and decided to appoint Mr. Blaise Pascal Ezo'o Engolo as Chairman of the Board of Directors.
- Mr. Peter S. Zaffino has been appointed Chairman of AIG as of January 1, 2020 and will continue to serve as Global Chief Operating Officer of AIG and Chief Executive Officer of General Insurance.

Events

- The 44th annual general assembly of the African Federation of Insurance Companies "FANAF" will be held from 17 to 20 February 2020 in Libreville (Gabon) under the theme «Data and Innovation at the Heart of African Insurance».
- The 15th edition of the Carthage Rendezvous will be held from 22 to 24 March 2020 in Tunis, Tunisia.

The theme will be «The Arab (Re)insurance industry facing new digital and regulatory challenges».

Activity Figures of The Tunisian Insurance Market

As at 30.09.2019

In MDT

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

- The market generated a total turnover of TND 1825.9 million, showing an increase of 7.4% over the same period last year.
- Total compensations reached TND 919.4 million reporting an increase of 16.3% compared to 30.09.2018.
- A total number of issued policies of 2 432 339 being an increase of 3.4%.
- A total number of reported claims equal to 1 009 046 down by 4.5% over the same period last year.
- Investments reached TND 5 831,5 million, up by 9.7% compared to 30.09.2018.

| | 2017 | 2018 | Evol | 30/09/2018 | 30/09/2019 | Evol |
|-------------------------------|------------------|------------------|--------------|------------------|------------------|--------------|
| Turnover | 2 087.9 | 2 252.4 | 7.9% | 1 700.6 | 1 825.9 | 7.4% |
| Motor | 939.8 | 980.4 | 4.3% | 773.9 | 827.9 | 7% |
| Life | 442.5 | 507.2 | 14.6% | 344.2 | 375.2 | 9% |
| Others | 705.6 | 764.8 | 8.4% | 582.5 | 622.8 | 6.9% |
| Claim Charges | 1 053.8 | 1 263.0 | 19.9% | 790.5 | 919.4 | 16.3% |
| Motor | 576.9 | 662.0 | 14.8% | 424.0 | 493.2 | 16.3% |
| Life | 138.0 | 165.5 | 19.9% | 99.20 | 111.00 | 11.9% |
| Others | 338.9 | 435.5 | 28.5% | 267.3 | 315.2 | 17.9% |
| Nbr of issued policies | 2 861 149 | 2 999 947 | 4.9% | 2 353 446 | 2 432 339 | 3.4% |
| Motor | 1 803 021 | 1 832 591 | 1.6% | 1 393 078 | 1 399 868 | 0.5% |
| Life | 497 210 | 533 561 | 7.3% | 469 571 | 487 430 | 3.8% |
| Others | 560 918 | 633 795 | 13% | 490 797 | 545 041 | 11.1% |
| Nbr of Reported Claims | 1 446 121 | 1 446 374 | 0% | 1 056 752 | 1 009 046 | -4.5% |
| Motor | 278 012 | 293 484 | 5.6% | 212 167 | 212 940 | 0.4% |
| Others | 1 168 109 | 1 152 890 | -1.3% | 844 585 | 796 106 | -5.7% |
| Investments | 4 891.2 | 5 437.5 | 11.2% | 5 316.1 | 5 831.5 | 9.7% |
| Non-Life | 3 327.0 | 3 676.0 | 10.5% | 3 692.5 | 3 992.4 | 8.1% |
| Life | 1 564.2 | 1 761.5 | 12.6% | 1 623.6 | 1 839.1 | 13.3% |

**Best wishes of Good Luck to our dear colleague Mr. Mounir El Behi :
Happy retirement !**



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Société Tunisienne de Réassurance

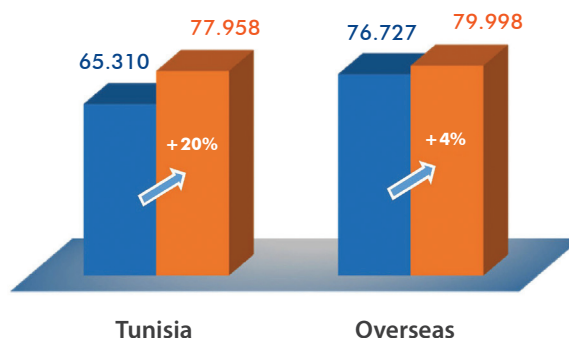
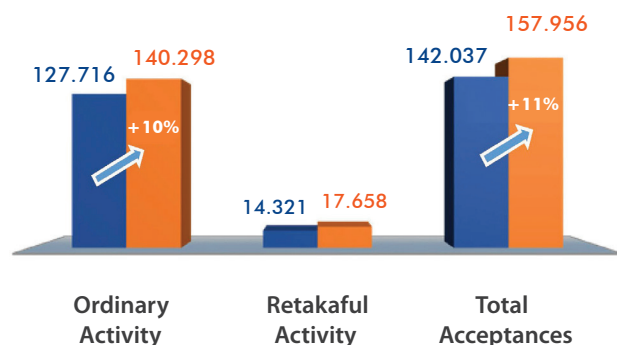
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Activity Figures of Tunis Re 4th Quarter 2019



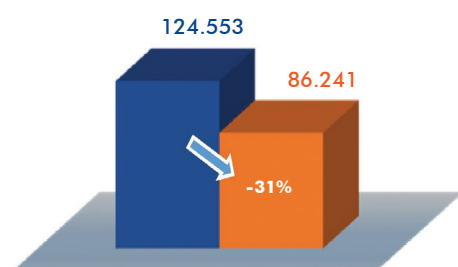
Turnover : Overall Performance +11%

(M TND)

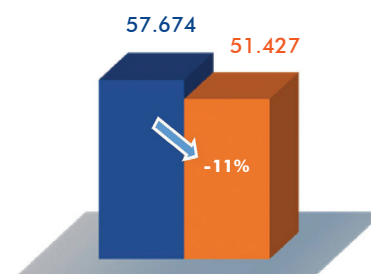


Gross Claims Charge : Down by 31%

(M TND)



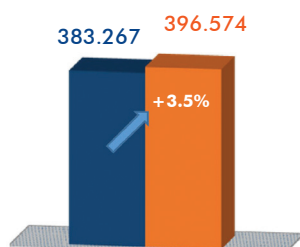
Gross Claims Charge



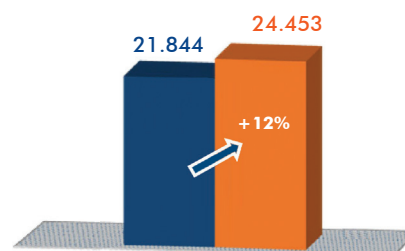
Net Claims Charge

Investment Income : Increase of 12%

(M TND)



Investments



investment Income

Stock market : Figures as at 31.12.2019 of the listed Insurance Companies

(In M TND)

| Company | Premiums | | | Gross Claims Charge | | | Investments | | |
|----------|----------|---------|-------|---------------------|---------|-------|-------------|--------|-------|
| | Dec-19 | Dec-18 | Var % | Dec-19 | Dec-18 | Var % | Dec-19 | Dec-18 | Var % |
| STAR | 374.760 | 357.390 | 5% | 289.872 | 263.693 | 10% | 77.719 | 61.560 | 26% |
| ASTREE | 166.707 | 156.006 | 7% | 94.746 | 88.367 | 7% | 72.123 | 26.025 | 177% |
| SALIM | 116.589 | 102.087 | 14% | 53.087 | 54.452 | -3% | 12.758 | 11.952 | 7% |
| Tunis Re | 157.957 | 142.037 | 11% | 86.241 | 124.552 | -31% | 24.453 | 21.844 | 12% |