Tunis Re News Letter

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EDITORIAL

The Tunisian insurance market is evolving in a dynamic political and macroeconomic context that Tunisia has been experiencing since the 2011 revolution. The Tunisian insurance market recorded premiums of 2.4 billion Tunisian dinars in 2019, which represents a substantial growth of 8.2% compared to 2018.

However, the market is still influenced by the Motor line, which generated more than 43% of premiums; the life insurance recorded a remarkable increase of 13.5% with a market share of 24%.

As an institutional investor, the cumulative investments of the Tunisian insurance sector in 2019 increased by 9.8% to reach MDT 5 976.7.

These performances have been achieved thanks, on the one hand, to the dynamism of the insurance actors and reinsurance market in Tunisia, and, on the other hand, to a strong involvement of the State and the Tunisian regulator in the process of modernization and development of the sector.

The Tunisian insurance players are determined to continue their development efforts; new products are currently being developed to cover risks including natural disasters, agriculture, terrorism, political violence, cybercrime and workmen compensation.

Tunis Re as a National Reinsurer continues to fully play its role, despite the fragile political and economic context as well as the strong competition at both national and regional levels. In 2019, turnover increased by 14% to 162 MTD, the technical result net of retrocession went from 3.610 MTD to 13.145 MTD, i.e. an increase of 264%, technical provisions were strengthened by 9% going from 305 MTD to 332 MTD. Thus, the global result stood at 11.6 MTD. This year also was impacted by the negative impact of the exchange loss following the effect of the fluctuation of foreign currencies towards the Tunisian Dinar.

The beginning of 2020 was marked by the health crisis of the covid19, the outlook for the global economy is negative, The IMF has reassessed the growth outlook for 2020 and 2021 and stated that the recession is expected to be as severe, if not more severe, than that of the 2008 financial crisis.

The insurance and reinsurance sector is not spared, the year 2020 is expected to be very difficult. We must react together, in a decisive and innovative way.

What the world needs now is humanity and solidarity.

Lamia Ben Mahmoud

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Impacts of the Covid-19 on the Insurance Industry

" The pandemic is not necessarily something exotic. The issue is its magnitude and severity ... "

By Asma Naimi

The Coronavirus pandemic illustrated painful deficiencies in the global ability to predict and respond to the outbreaks of unknown or emerging diseases. The crisis caused by this pandemic particularly highlights insurers who are overwhelmed by general inquiries and claims on several different lines, whether for health, life or non-life coverage.

Balancing the need to respond to this surge in contact centers' activity with a rapidly changing remote workforce is a challenge that insurers are striving to overcome.

Insurance companies are already working in several ways to help customers affected by the crisis. When some of them adopt new technologies and remote solutions to minimize service interruptions, others have launched their BCP Business Continuity Plan calibrated to cope with interruptions of all kinds (CATNAT, Pandemics, Fires…), while monitoring the protection and safety of their employees by switching to remote workplaces, teleworking and enforcing travel restrictions.

What commercial and financial disruptions for insurers?

Besides the tragic human toll, there are already considerable economic impacts, posing major challenges to the global supply chain and to certain lines of business such as industries, commerce, aviation, marine, land transport, travel, sporting and entertainment events; also causing significant volatility and even precipitous falls of the stock markets.

"Besides the tragic human toll, there are already considerable economic impacts, posing major challenges to the global supply chain"

For non-life insurance, the impact of the pandemic would be felt upstream in terms of premiums written rather than downstream in terms of claims, the size of which would be relatively manageable. The premiums will drop accordingly to the confinements declared in almost all the countries of the world, which will lead to an economic recession directly impacting the insurance lines related to the construction with the stopping of works on the sites in progress and the delay of the new projects; the aviation of which the liability premiums are linked to air traffic; the marine cargo the premiums of which are strongly linked to maritime navigation; the Energy which depends on the price of oil; the Credit insurance related to trade; and to a lesser degree will be impacted the Fire and Motor lines following changes in business volumes.

In return, confinement will reduce the claim occurrence probability for risks related to economic activities in crisis. Also, most insurers have learned from the 2003 SARS epidemic and have introduced exclusion clauses for contageous and communicable diseases and epidemics / pandemics into most of their non-life products such as business interruption and travel insurance. Generally, the BI cover only applies following insured physical damage: claims related to coronaviruses may therefore not be covered, except in the case of contingent Business interruption CBI that can cover an interruption of non-physical activity, which means that companies may claim losses resulting from the forced closure of suppliers or customers all over the world.

However, Travel insurance could provide coverage if a customer is diagnosed with the virus before or during the trip; but not for a trip canceled due to the pandemic, unless a customer has purchased a «all causes» insurance.

Nevertheless, event cancellations can result in greater losses for insurers, as some major events are covered by insurance policies including in the event of an epidemic or pandemic. Professional sporting events, festivals, concerts and conventions can be expensive to plan and to host. Countries have already canceled top-level sporting events, artists have canceled concert tours. The biggest event taking place this year is the Tokyo Olympics where analysts estimate about $ 2 billion in insurance coverages.

It is likely that the reinsurance sector will bear part of the losses. Indeed, initial estimates state that one single reinsurer would have been exposed to more than 500 million euros if the events covered by pandemics would be all canceled.
Yet, there are three other potentially important insurance coverages to watch for non-life insurance:

First: Commercial credit insurance, covering companies against debts that cannot be paid by their customers or suppliers. It is a global market of $ 11 billion and if an increasing number of businesses close due to the effects of coronaviruses, insurers could face burgeoning claims.

Second: workers' compensation claims. Covid19 caused peaks in workers exposed to the virus through their daily work tasks. It is impossible to know at this point how important these claims could become. But insurers offering this type of coverage to employers may need to prepare, in line with developments.

And third : the practicality of working remotely also comes with an increased risk of cyber attacks, and Cyber Risk insurers have recently seen an increase in claims reported by policyholders following attacks against their IT service providers. In some cases, these attacks have stopped the operations of hundreds of customers. These claims potentially give the right to compensation from insurers.

In addition, volatility and falling interest rates in the financial markets are likely to have an impact on insurers from a profit and credit standpoint. This impact would be felt more deeply by life and health insurers since they have rate-sensitive products and investments. Many life insurers have already recalibrated to reduce their exposure to historically low interest rates. Some have modified products, often by lowering the guaranteed rates and additional adjustments remain possible.

Also, the Solvency II directive is very sensitive to the volatility of the financial markets and to the pressure on bond yields and credit spreads. Other approaches to capital may be sensitive to bond downgrades. As a result, insurers will need to closely monitor the solvency ratios in order to meet the capital requirements of economic, regulatory and rating agencies. It should be noted that some, but not all, insurers have reinsurance coverage to offset this capital impact.

Financially, insurers will also need to adjust their budgets and implementation plans, cash-flow forecasts and investment portfolios in light of recent developments.
Digital insurance entered online

On another level, insurthechs are online to take advantage of this crisis of traditional insurers and several of them quickly launched a range of products accessible via their platforms, such as the online self-assessment tools of the physical and psychological health for the public and thereby prevent the risk of infection; and online surveillance tools for companies to monitor the health of employees during the COVID-19 epidemic.
In China, for example, insurtechs have launched a «Zero-Contact» advance payment system for hospitals so that individuals do not have to generate funds or use money to pay their medical bills.

But are fintechs sufficiently armed to face an economic crisis? One thing is certain: they remain less robust than the traditional financial sector, and some will fare better than others.

"Insurthechs are online to take advantage of this crisis of traditional insurers and several of them quickly launched a range of products accessible via their platforms"

To this end, insurers around the world must engage more in digital transformation, to become more flexible, responsive and connected companies.
Time for pandemic reinsurance to resurface

Although pandemics are not covered by classic reinsurance treaties, the entry into force of Solvency II forced more insurers to cover their portfolios against all possible balance sheet shocks and contingencies, including pandemic risks. Indeed, it is thanks to reinsurance that companies can increase their solvency ratios and save equity. Also, the reinsurance industry is really good at looking for solutions that can work for new exposures and new risks, like COVID-19.

After Ebola 2014, Munich Re and Marsh had designed in 2018 an innovative solution for pandemic and epidemic risks, PathogenRX, targeting the hotel and games industries, travel and tourism, sports and events, aviation, public entities, education, real estate, and many others.

But, at the moment, it seems that no company bought the cover and they relaunched the same product during the Covid-19 crisis with more chances of making it succeed. Also, the French State worked closely with the FFA, the CCR and insurers to launch very recently a system of public reinsurance in favor of the insured in addition to their credit insurance. Insurers benefit in this context from public reinsurance guaranteed by the State to the tune of 12 billion euros to keep covered companies having subscribed to credit insurance, and who would be notified of reductions or refusals of guarantees on certain customers due to the economic outbreaks. Insightful reflexions are also underway to design an insurance scheme that will better protect businesses against the economic consequences of a major future event.

“The Tunisian Federation of Insurance Companies in concert with the insurance and reinsurance companies are fully mobilized to put in place a number of measures and solutions for the benefit of the insureds and the nation“.

And in London, Lloyd’s has started a similar process with the British Treasury by exposing a benchmarking of all kinds of insurers’ reactions to the Covid-19 crisis in different parts of the world and by making their administrative capacity available to Lloyd’s to assess claims that would be filed against the government as part its assistance programs to farms and individuals.

As for the «Pandemic bonds», the World Bank announced that the conditions for triggering coverage were satisfied for the first time on March 31, 2020, and from April 17, the PEF must pay to the most vulnerable countries a maximum amount of insurance for the coronavirus of 195.84 million USD.

It is worth remembering that the PEF insurance window works like any other insurance by buying protection against the worst-case scenario - in this case, against outbreaks of rapidly growing cross-border deseases, the insured being the poorest countries and premiums being paid by donor countries. To activate payments from the insurance window, an epidemic must meet specific and predetermined criteria.

The Tunisian Insurance sector outlines plans to help with Covid-19 outbreak

As of 04/30/2020, Tunisia’s death toll stood at 980 confirmed Covid+ cases and 40 deaths. This relatively under control situation is the result of the efforts made by the authorities, consolidated by the various institutions of the country, including the insurance sector which is a key link in the national strategy of prevention against Coronavirus.

In fact, the Tunisian Federation of Insurance Companies in concert with the insurance and reinsurance companies are fully mobilized to put in place a number of measures and solutions for the benefit of the insureds and the nation, including:

1. Free cover for damages caused by persons in compulsory confinement to hotel properties during the entire period of lockdown.

2. Extension, without collection of premium, of the validity of motor insurance policies which expire during the lockdown period.

3. Maintaining the guarantees of insurance policies covering the property of individuals and farms experiencing payment difficulties.

4. Contribution to the national solidarity effort with the participation of insurance and reinsurance companies of around 10MDT in the 1818 fund to fight Covid-19.

It is understood that all Tunisian insurers, supported by the national reinsurer Tunis Re will continue to honor their commitments towards the insureds in this period of crisis and shall make every effort to preserve the Tunisian insurance sector and whole economy.

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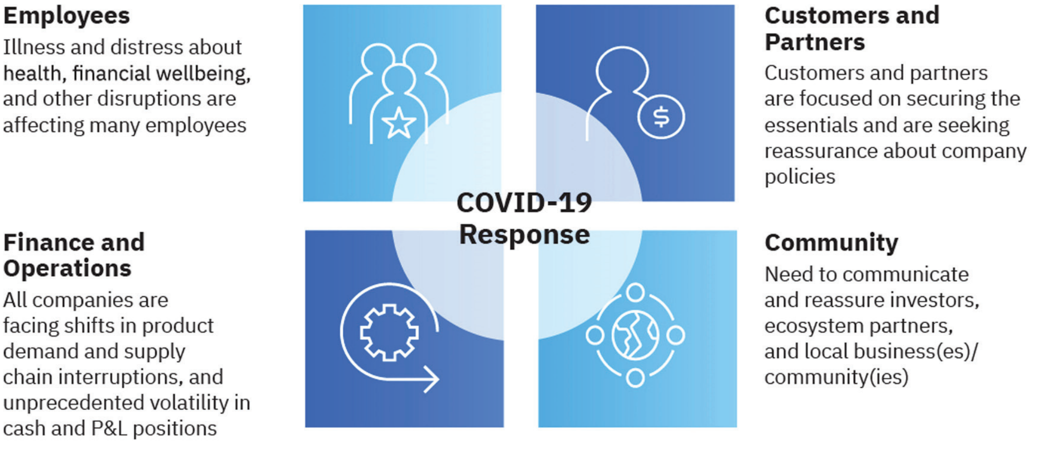
Conclusion

This pandemic could ultimately be good for insurance. Insurers will examine global industry data to prepare for new challenges in a very different context and to glean advanced lessons on preparing for the new post-pandemic normalcy and policyholders will be increasingly willing to accept the value of insurance protection, and the sector will emerge stronger. ■

« Insurance stability is particularly important in times of heavy crises »



NEWS

National

Tunis Re Flash Infos

• Fitch Ratings confirmed Tunis Re's AA-(tun) financial strength rating and improves its outlook from stable to positive.

Tunis Re's rating reflects its better risk management practices, its leading position on the Tunisian market as well as its strategic role in the Tunisian economy.

• **Tunis Re changes the governance structure :** In view of establishing «Best Practices» of corporate governance and in application of the new measures of law 2019-47 dated 29th of May 2019 relating to listed companies, the board of directors of Tunis Re, held on the 3rd of April 2020, has appointed Mr. Salah KANOUN as Chairman of the Board and Mrs. Lamia BEN MAHMOUD as General Manager.

• **Tunis Re launched its Business Continuity Plan:** in view of the exceptional circumstances that our country and the whole world are experiencing, Tunis Re has activated its BCP to ensure the protection of its employees and partners while guaranteeing the continuity of its services in the best possible conditions via remote working.

• As part of its commitment to social responsibility, Tunis Re has signed a partnership agreement with « ACT'UP : Clean Tunisia Action « on March 10, 2020, focusing on the ecological office and providing a separate collection and recycling system for all types of paper.

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 April 30, 2020 ;

Number of Complaints :	
- Received	875
- Processed	88
Amounts approved in TND	**2 209 172.986**
Amounts settled in TND	**2 048 207.917**

Guidelines from the General Insurance Committee in response to the Covid-19 Crisis:

The General Insurance Committee (CGA) invites companies in the market to strengthen the prudential measures in order to protect their solvency in view of the COVID-19 pandemic through :

- The constitution of sufficient technical provisions for the financial year 2019 taking into account the new data and projections on the spread of the coronavirus.

- The quantitative analysis on the expected impact of the pandemic on the various sectors of activity for 2020.

- The suspension of all dividend distribution measures for the financial year 2019.

Income Tax for Takaful insurance

The finance law for the year 2020 has introduced the main provisions of the tax regime for Islamic insurance (Art 11-22). Takaful is now regulated by the same tax regime as traditional insurance.

This includes the taxation of income at the rate of 35%, the deduction of technical reserves from the participants' fund, the exemption of the surplus generated by the participants' fund, the exemption of the companies' and agents' management commission from VAT (except for the moudharaba commission), the exemption of insurance and life insurance contracts from registration fees and the reintegration of Qard Hassan interests into the tax income.

IFRS accounting standards applicable as from 2021

According to the CMF, banks, financial institutions, insurance and reinsurance companies that are listed on the stock market are obliged to prepare their consolidated financial statements in accordance with IFRS standards as from 1 January 2021.

Consequently, the CMF has called on the companies and institutions to implement an action plan detailing the steps needed to comply with the new accounting standards and to monitor the transition project through an internal supervisory committee.

Compensation for Victims of Medical Malpractice: A Review of the Draft Law

On February 5, 2020, the Health and Social Affairs Committee at the Parliament has held a consultative meeting with the Tunisian Federation of Insurance Companies (FTUSA) to review the draft organic law on patients' rights and medical liability.

This meeting discussed the standards and specific criteria for the compensation of victims of medical malpractice that will be covered by the Medical Malpractice Compensation Fund project.

UPCAR broker to be sold by AL KARAMA holding

Al Karama Holding announced on February 28, 2020 its intention to sell its total public shareholding, i.e. 50% of UPCAR's capital, to an investor who will contribute to the development of the company which is operating in insurance and reinsurance brokerage.

We care Tunisia: a new warning system against natural disasters

The Ministry of Communications Technologies and Digital Economy has launched on 16 January 2020, the early warning system called «We care Tunisia» to protect against natural disasters.

This project cosists of developing digital solutions, through SMS text messages sent to mobile phone users, after receiving an alert from the Ministry of the Interior, in order to warn them in the event of natural disasters, floods or other hazards that would threaten their lives and property.

Appointments :

- Mr. Hatem Amira has been appointed Executive Director of Tunisian Federation of Insurance Companies (FTUSA) as from 1st April 2020.

NEWS

International

Cancellation of the 2020 Rendez-Vous De Septembre

In view of the uncertainties linked to the international health situation, the members of the RVS Association have unanimously decided to cancel the 64th edition of the Rendez-Vous de Septembre, due to be held in Monaco from 12 to 17 September.

This meeting attracts nearly 3,000 people each year to discuss problems linked to the profession and to begin the annual negotiations that will lead to the renewal of insurance and reinsurance treaties.

The next edition will therefore be held from September 11 to 16, 2021.

Pandemic Risk Cover: The road to a Compulsory Insurance Scheme

The health crisis caused by Covid-19 has led to the interruption in several activities, especially in the retail sector.

For insurance, the pandemic is a systemic risk since it affects almost the entire insured population at the same time. As a result, it is generally excluded from insurance policies covering, in particular, business interruption without direct physical damage.

In France, the Prudential Control and Resolution Authority (ACPR), whose mission is to ensure the solvency of insurance companies, considers that covering business interruption due to the Coronavirus will lead to the bankruptcy of the sector. The financial resources available to insurers to meet all the commitments they have made towards their policyholders, and therefore contribute to absorb the economic shock caused by the pandemic, cannot be used to cover events that are explicitly excluded from policies.

According to the regulator, liability for business interruption resulting from a pandemic could only be provided at a reasonable price under a compulsory scheme guaranteed by the State and through a public-private partnership system.

The entire sector is therefore discussing the possibility of creating a health catastrophe scheme (proposals to be submitted by the end of June).

Cyber Risk in the Age of Coronavirus

The risk of cyber attacks increases with confinement. The excessive use of remote working and the urgent installation of a wireless connection are aggravating the risk of losing confidential information or login identification. In particular, the massive use of VPN (Virtual Private network) is likely to increase the risk of vulnerabilities.

For the insured companies, the cover has been calculated to respond to the hypothesis of catastrophic loss. For companies that are not insured, however, the consequences can be disastrous.

Merger of two world giants : AON and Willis Towers Watson

Aon buys its rival Willis Tower Watson, thereby completing the largest merger in the insurance industry worldwide for nearly $30 billion through a share exchange.

The deal unifies the sector's second and third largest insurance brokers and therefore competes with the world's number one, Marsh & McClennan.

AON Brokers expects that the merger will generate nearly US$800 millions worth of synergies over three years and will provide the opportunity to further accelerate the two firms' existing expansion strategies.

Turkey Wealth Fund consolidates public insurance companies

The Turkey Wealth Fund (TWF) acquired all the shares of the state-owned insurance companies for nearly $937 millions to consolidate them under one roof.

The consolidation was a project of the Treasury and Finance Ministry which was announced last December to raise the country's domestic savings rate and grow the non-bank financial services sector.

As part of the project, the fund bought shares of Günes Sigorta, Halk Sigorta, Ziraat Sigorta, Vakýf Emeklilik ve Hayat, Halk Hayat ve Emeklilik and Ziraat Hayat ve Emeklilik.

Covéa to acquire PartnerRe from Exor

On March 3, 2020, the French insurance group Covéa approved a memorandum of understanding with Exor under which the company has agreed to acquire in cash of all the ordinary shares of PartnerRe's share capital for $9 billion (approximately EUR 7.3 billion). This takeover would enable Covéa to consolidate its diversification and internationalisation.

Orient Ins opens a branch in Saudi Arabia

The subsidiary of Al Futtaim Group has received approval from the Saudi Monetary Authority (SAMA) to open a branch in the Kingdom. The company is in the process of completing licensing procedures and is expected to start operations during this year.

Sale of 75% of Tokio Marine Egypt Family Takaful

EFG Finance Holding and GB Capital, signed an agreement to acquire 75% share in Tokio Marine Egypt Family Takaful for £84.75 million ($5.28 million).

Appointments :

- Mr. César Ekomié-Aféne, Chairman of the Board of Directors of NSIA Gabon and CEO of NSIA Vie Gabon, was elected as President of the Federation of African National Insurance Companies (FANAF) on 20 February 2020 during the 44th General Assembly of the pan-African association.

- Mr. Souhil Garouge was appointed General Manager of Sharjah Ins as from 24/03/2020.

- Mr. Thomas Lillelund was appointed CEO of (AIG) for the Middle East and Africa.

- Cyrille de Montgolfier was appointed CEO of Gras Savoye Willis Towers Watson as of 27/04/2020.

Activity Figures of The Tunisian Insurance Market
As at 31.12.2019

In MDT

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

- The market generated a total turnover of TND 2 436.5 million, showing an increase of 8.2% over the same period last year.
- Total compensations reached TND 1 316.9 million reporting an increase of 4.3% compared to 31.12.2018.
- A total number of isued policies of 3 151 372 being an increase of 3.9%.
- A total number of reported claims equal to 1 403 106 down by 3% over the same period last year.
- Investments reached TND 5 976.7 million, up by 9.8% compared to 31.12.2018.

	2017	2018	Evol	31/12/2019	Evol
Turnover	**2 087.9**	**2 252.4**	**7.9%**	**2 436.5**	**8.2%**
Motor	939.8	980.4	4.3%	1 039.7	6.0%
Life	442.5	507.2	14.6%	575.6	13.5%
Others	705.6	764.8	8.4%	821.2	7.4%
Claim Charges	**1 050.9**	**1 262.8**	**20.2%**	**1 316.9**	**4.3%**
Motor	575.0	662.0	15.1%	707.0	6.8%
Life	137.0	165.5	20.8%	145.10	-12.3%
Others	338.9	435.3	28.4%	464.8	6.8%
Nbr of issued policies	**2 861 149**	**3 033 052**	**6.0%**	**3 151 372**	**3.9%**
Motor	1 803 021	1 817 557	0.8%	1 840 857	1.3%
Life	497 210	584 956	17.6%	622 478	6.4%
Others	560 918	630 539	12.4%	688 037	9.1%
Nbr of Reported Claims	**1 446 121**	**1 446 374**	**0.0%**	**1 403 106**	**-3.0%**
Motor	278 012	293 484	5.6%	295 774	0.8%
Others	1 168 109	1 152 890	-1.3%	1 107 332	-4.0%
Investments	**4 891.2**	**5 443.3**	**11.3%**	**5 976.7**	**9.8%**

Best wishes of Good Luck to our dear colleague Mr. Jalel Remili : Happy Retirement !

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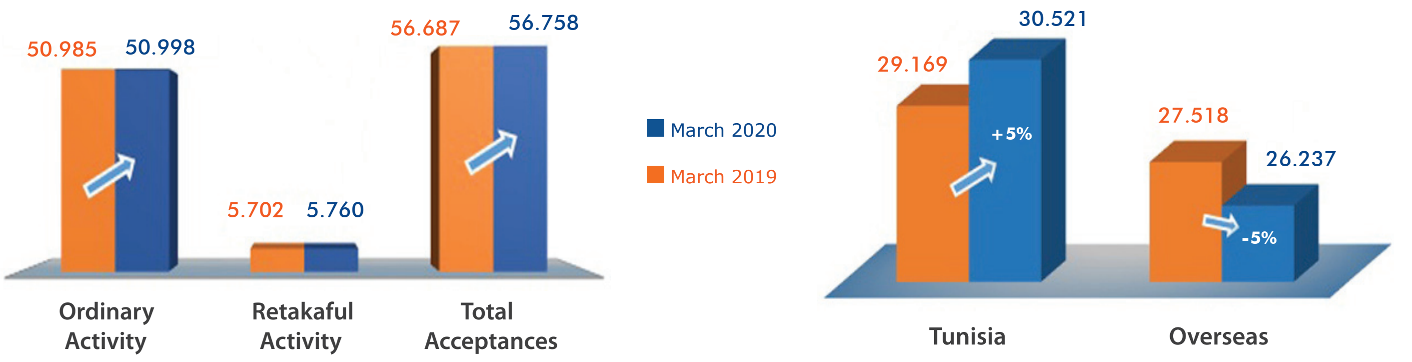
Activity Figures of Tunis Re
1st Quarter 2020

Turnover :

(M TND)



Gross Claims Charge : Increase of 33%

(M TND)

Investment Income : Increase of 9%

(M TND)

Stock market : Figures as at 31.03.2020 of the listed Insurance Companies

(In M TND)

Company	Premiums			Gross Claims Charge			Investments		
	March 20	March 19	Var %	March 20	March 19	Var %	March 20	March 19	Var %
STAR	128.023	127.876	0%	68.518	86.664	-21%	17.854	15.588	15%
ASTREE	61.346	59.850	2%	11.624	10.920	6%	7.458	6.358	17%
BH Assurance	40.231	37.106	8%	14.864	12.251	21%	3.696	3.146	17%
Tunis Re	56.758	56.687	0%	12.521	9.408	33%	6.198	5.663	9%