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EDITORIAL

The year 2020 is a year of milestone significance. Today the whole world is facing an unprecedented catastrophic event: COVID-19 made us realize that there are events beyond all the risk models ever known.

In fact, according to the IMF forecasts, this pandemic will have a lasting impact on the global economy. The global GDP would shrink 4.4% for 2020 in the hope of an estimated rebound to global growth of 5% in 2021. In terms of cost, losses relating to COVID-19 are estimated at 7 trillion USD for the period from November 2019 to the end of 2021.

For the reinsurance market, the coronavirus pandemic cost would range between 35 and 50 billion USD according to S&P Rating Agency. A significant part of the losses comes from the risks related to cancellation or postponement of events, mortgage, credit, business interruption and aviation.

This bill, which is expected to increase further over the coming months, will negatively affect the profitability and the operational performance of reinsurers, which explains that nearly 20% of ratings assigned to reinsurers are now in a negative outlook.

Coupled with this, the major explosion in the port of Beirut on August 4, which was reportedly caused by 2,750 tonnes of ammonium nitrate stored under dangerous conditions. The explosion was large enough to destroy half the city, leaving a horrendous toll of 220 people died, more than 6,000 injured and 300,000 homeless.

This major event affected the mega insurers and reinsurers. According to the Association of Lebanese Insurance Companies ACAL's latest estimates, the economic loss would amount to $7.5 billion. The value of insured damages may range between $1bn and $1.5bn.

Given this context, combining the direct and indirect repercussions of the global health crisis with the high loss experience recorded in 2020 and the challenge of maintaining a minimum return on assets, the renewal for 2021 is shaping up to be DIFFICULT.

Indeed, reinsurers set aside heavy reserves to face this health crisis, thus swinging their results into net losses at the end of the first half of 2020. The Combined Ratios should be between 103% and 107% at the close of 2020.

The uncertainty created by COVID-19 has triggered the first true «Hard Market» in 20 years, and is likely to persist longer than in past cycles!

Lamia Ben Mahmoud

Siège Social - Tunis
12, Avenue du Japon Montplaisir - B.P 29 - 1073 Tunis
Tél. : (216) 71 904 911- Fax: (216) 71 904 930
E-mail : tunisre@tunisre.com.tn
www.tunisre.com.tn
: www.facebook.com/Tunis-Re-178608322175326/
: www.linkedin.com/company/tunis-re/

The future of insurance post-pandemic

"In the new World, It's Not the Big that Eat the Small... It's the Fast that Eat the Slow ! "

Klaus Schwab

The evolution will never stop

By
Nahla Haouel
&
Sonia Chayada

No one had anticipated the outbreak of a serious pandemic that would cause unpredictable global disruptions. COVID-19 makes people think and understand that there are events and risks that are out of human control.

For the first time in history, a pandemic has caused a period of containment and interruption of activity simultaneously across all continents. The Covid-19 generated an exceptional economic downturn, the shock exceeded those of the World Wars.

Global economic outlook projects a contraction of total GDP by 4.4% in 2020. The Covid-19 pandemic is likely to cost between $8.1 and $15.8 trillions globally.

For insurers, COVID-19 will affect both directly through health shocks (increased mortality and morbidity) and indirectly through financial shocks (increased lending spreads, a potentially generalized downgrading, as well as lower interest rates and share prices). The financial impact of pandemics is generally much greater than the direct impact on health. The world' s stock markets have experienced the sharpest decline since the financial crisis of 2008.

For the first time in history, a pandemic has caused a period of containment and interruption of activity simultaneously across all continents.

The early implications of the Covid 19 crisis are being perceived by the insurers. In fact, Lloyd's of London, the world's largest insurance market, estimates the cost of the coronavirus pandemic for insurers at $203 billion for 2020 (53% for compensations to clients and 47% for losses related to depreciation of financial assets as a result of the collapse of the financial markets that are expecting a slowdown following the world economy's standstill).

It will be one of the most expensive events in the history of the sector compared to the hurricanes of 2017 or the attacks of September 11, 2001, with a destructive economic, human and social cost.

The sectors most affected by the Covid-19 crisis: tourism, hotels, aeronautics, motor vehicles, food services, airline companies... will be carefully studied during the next renewals.

The crisis is expected to change the situation in the sector, as it will oblige the insurers to focus on their current and future business models at the same time. Companies that are making strategig investments in their core business and technology are better positioned to grow and succeed, especially in times of crisis.

Trends of the the post-covid insurance sector

- **Digitalisation of the insurance sector becomes a priority**

The future of the post-COVID insurance will be based on artificial intelligence, the Internet of Things and InsurTech partnerships. How insurers adopt technology in these changing times will be a key factor in their future growth.

1. IMF projections as of October 2020.

As the insurance underwriting process and online insurance payments are changing, projects are likely to be redirected towards digital platform and cloud computing solutions, offering the flexibility, evolutivity and controlled costs in the future.

All insurers have been obliged to make special efforts to enable insureds to pay premiums using digital methods, issue policy documents by e-mail and post them on their websites, obtain information on other means of premium payment, renewals, claims settlement and submitting complaints or other enquiries.

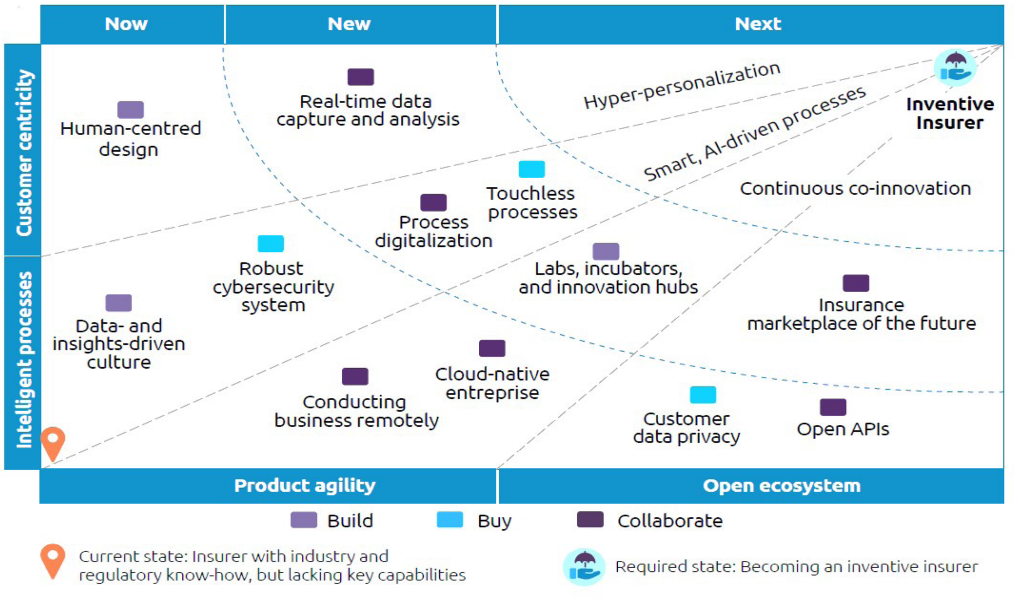
The COVID-19 crisis has incited insurers to use solutions such as telemedicine underwriting (which consists in connecting doctors with potential policyholders by telephone to assess their state of health). The pandemic demonstrated that insurers need to have alternative ways of collecting information from clients about their past health status, population and treatment fees. It may be useful for insurers to undertake detailed data analysis using digitised via digitized channels, to use this analysis for underwriting purposes and to develop more innovative products.

For example, Forbes recently reported that from January 2020, online life insurance sales increased by 30-50% for companies with high speed applications and using data/algorithm-based pricing, particularly for people under the age of 45.

As the insurance underwriting process and online insurance payments are changing, projects are likely to be redirected towards digital platform and cloud computing solutions, offering the flexibility, evolutivity and controlled costs in the future. Indeed, there will be more deliveries and takeaways for restaurants, retail shops and supermarkets; e-health will accelerate; schools and universities may move to a more online approach. Probably, the need for insurance will increase for these businesses, and insurers will need to re-examine the related risks.

Therefore, innovative insurers need to develop new environments, whether for technology, data, channels or some other fields, changing the way in which insurers work with their partners.

Now, New, Next : How and When to acquire key capabilities



Source : Capgemini Financial services analysis, 2020.

" Indeed, client needs have evolved towards a more flexible, rapid and digitized offer "

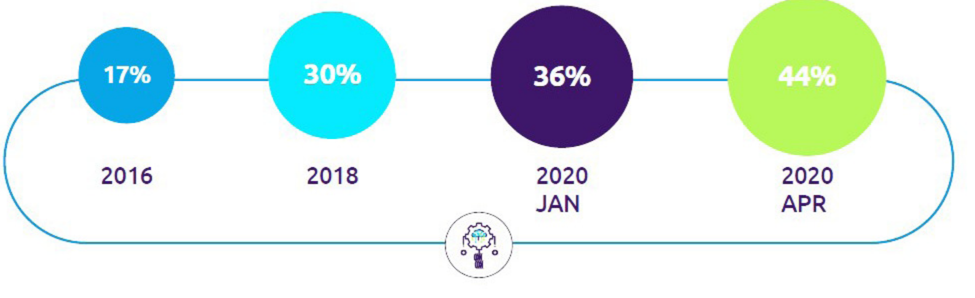
- **Conventional insurers Vs Insurtechs**

The key issue for insurance companies in the context of the COVID 19 pandemic is the increased demand from clients and especially with regards to claims settlement. This is why the Web giants, such as bigtechs[2], as well as Assurtechs, have been distinguished by the quality of their increasingly innovative services. Indeed, client needs have evolved towards a more flexible, rapid and digitised offer..

For example, Moonshot internet, a French insurtech, offers its B2B partners innovative insurance products through a flexible API (Application Programming Interface). Its services are designed to promote the development of e-commerce activities. The offer is based on the analysis of Internet users' buying behaviour and aims to reduce the key barriers to purchase (doubts about the adequacy of the product, delivery service, withdrawal ways and the risk of fraud).

Within this context, the «World Insurtech Report 2020» estimates that 67% of the insurers interviewed expressed their willingness to collaborate with insurtechs in order to remain competitive and integrate the digitalisation process.

The COVID effect ? customer willingness to purchase insurance from bigtechs is rising



Source: Capgemini Financial services analysis, 2020.

According to the same report, 44% of the surveyed customers revealed their intention to buy insurance from bigtechs in April 2020 against 36% in January.

Another recent example of cooperation with insurtechs is Superscript. The company was previously known as Digital Risks and has become a Lloyd's registered broker. Superscript stated that this new deal will strengthen its ability to offer insurance solutions to innovative firms whose needs go beyond traditional insurance arrangements.

- **Artificial Intelligence & Technology**

Artificial intelligence is used to automate logical and repetitive processes and to generate information from these data. This allows insurers to reduce costs and explore new sources of revenue.

Some insurers use AI to transfer information between channels and create a transparent multi-channel service, allowing chatbots and virtual agents to provide quick service and refer to traditional operators only in case of need.

2. Leading and most influential companies in the information technology sector; these include Amazon, Apple, Alphabet and Microsoft, as well as Facebook.

According to Global Data's Technology Trends Survey, 67% of companies in the insurance industry are currently using AI. Although 90% of companies believe that AI will have a disruptive effect on the sector, including cloud computing (83%), Big Data (78%) and the Internet of Things (70%).

• Automation and the increasing need for robots

Covid-19 has changed customer preferences and created new automation opportunities. The use of robots reduces the physical presence of workers and ensures tasks that do not require human intervention.

In some sectors such as airports, there is more use of automation through online check-in, self-service baggage check-in, face recognition, fingerprinting, voice recognition or simply the use of biometric technology.

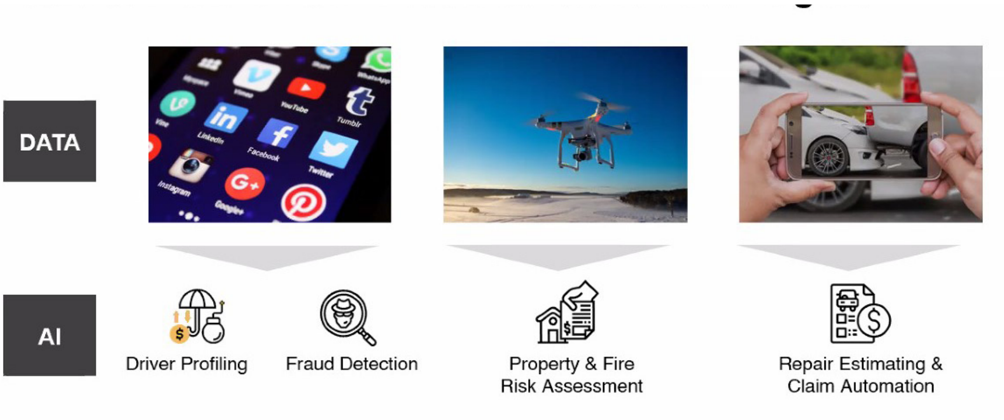
Given the high demand for robots and the imminent transformation, insurers have to understand the long-term operational implications.

" Covid-19 has changed customer preferences and created new automation opportunities."

• Fully digitized solutions

COVID-19 is expected to lead the insurance industry to accelerate innovation and move quickly from physical to digital channels and products, with end-to-end automation and optimisation of processes from underwriting to claims settlement.

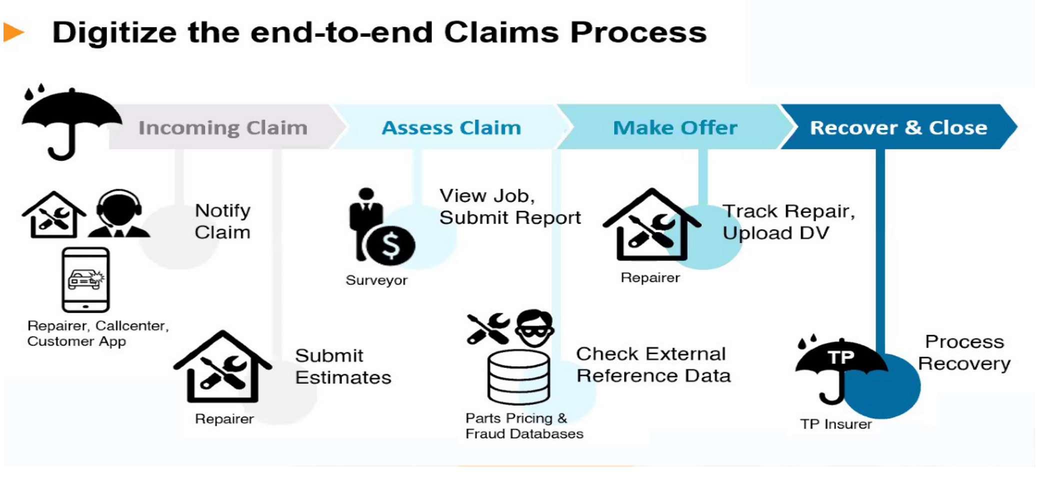
Data is the New Oil ... and AI is the New Engine



Through AI and intelligent automation, the use of IoT and Big Data technologies, insurers will work to significantly improve and optimise processes including :

- Pricing : through real-time dynamic and behavioural models;
- Underwriting: by accelerating data collection and risk assessment;
- Claims processing: UAVs replace the first notification of a claim and advanced algorithms provide initial routing;
- Policyholder Interaction : a lot of work is involved - through voice and text messages (chatbots) and personalised customer experiences;
- Fraud management : which helps in detecting, predicting and preventing fraud patterns and attacks, with enhanced medico-legal abilities to investigate and analyse data.

Digitize the end-to-end Claims Process



- Rising of Cyber and Silent Cyber Risks

> “ Any policy that does not contain a clear exclusion for cyber incidents may be exposed ”

This period of turmoil has caused multiples cyber-attacks due to the fragile state of systems (the implementation of teleworking practices, the multiplication of videoconference tools, etc.) on the one hand, and an extremely insecure environment, on the other hand (excessive data collection, malware integrated into the tools used to monitor the pandemic, etc.).

In case of material damage folowing a cyber attacks, the repair costs can be covered. The business interruption guarantee the loss of revenues and related additional expenses. However, only accidental material damage (which has not been excluded) is covered.

Third party liability covers material and non-material damage caused to third parties : the cover can be used in the case of a cyber attack or malpractice resulting in the loss of data of one or more third parties.

However, the majority of local insurers refuse to cover operating losses related to the health crisis, sustaining that this risk would not be covered by current policies.

These days, insurers are facing a greater challenge than ever before, which has been aggravated by the COVID 19 crisis, wich is the silent cyber risk, or the the « non- affirmative » cyber risk.

In fact, silent cyber risks refers to losses contained in traditional property and casualty (P&C) insurance policies that may not explicitly include or exclude the cyber risk.

«Any policy that does not contain a clear exclusion for cyber incidents may be exposed» Moody’s.

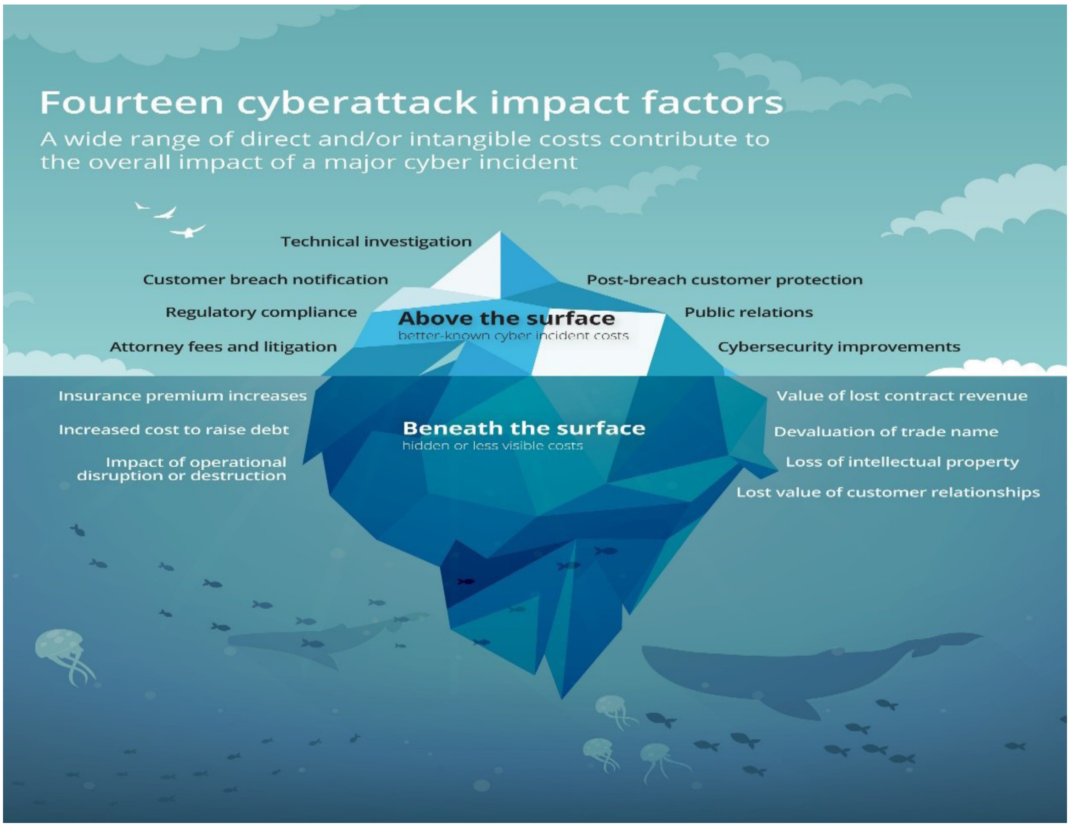
In fact, cyber threats can potentially result in property damage and losses that significantly increase insurers’ exposure.

According to the Hiscox 2020 Report on Cyber Risk Management, losses due to cyber attacks have increased 6 times in one year, from a median cost of €9,000 to €51,200.

In addition, a study published by the broker Willis reveals that the estimated losses caused by cyber attacks could reach USD 10 billion in 2020.[3]

3. «2020 Cyber Risk Outlook».

This means that policies should clearly include or exclude the cyber risk, otherwise to use a separate stand-alone policy may be the best solution to eliminate the shortfalls of a silent exclusion.



" The COVID 19 crisis has led to an increased demand for some insurance covers "

- **New Needs, New Covers**

The COVID 19 crisis has led to an increased demand for some insurance covers, such as travel cancellation (33%), payment instruments insurance (26%) and loss of employment insurance, especially for the independent (25%), according to a study conducted by the Censuswide Institute.

Regarding the coverage of the pandemic risk itself, many insurers are now offering Covid-19 protection. For example, Blue Insurance, Allianz, Emirates Airline and Caser have all decided to offer Covid-19 coverage in their travel insurance policies. This insurance covers healthcare, hospitalization and repatriation costs in the event of Covid-19 contamination. The policy will exclude claims resulting from cancellation when the State advise travel restrictions.

In addition, the Loyd's of london offers transport coverage for the COVID-19 vaccines through the creation of « Syndicate 1796» , specialised in the storage and transportation risk of COVID-19 vaccine to emerging countries. This project is developed by the Parsyl data management platform in partnership with AXA XL, the broker McGill & Partners and Gavi.

In the same way, studies have been carried out to develop insurance coverage for exceptional events, such as pandemics, to enable economic actors to face loss of revenue and continue their activities in the best way.

There will certainly be a variety of guarantees that will grow following this health crisis, but this will depend on the insurance offer, such as financial fraud, for example.

Review of insurance policies

The pandemic is an atypical, even «uninsurable» risk for insurers: it affects people everywhere and at the same time on a very large scale.

Following the Covid-19 crisis, substantial changes were made to policies through endorsements or exclusions. The purpose is to prevent claims arising from a health crisis, particularly those involving business interruption. Indeed, insurers may increase deductibles or raise rates in order to avoid a high loss experience.

In addition, the loss ratio caused by the Covid-19 crisis involving the Contingent Business Interruption (CBI) guarantee has led insurers to give more attention to this type of cover.

As a consequence, insurers have developed parametric solutions that include CBI compensation. However, the scope of coverage has been significantly reduced with an increase in deductibles and rates.

“ The pandemic is an atypical, even «uninsurable» risk for insurers: it affects people every where and at the same time on a very large scale. “

Emphasis has also been put on the extent of cyber risk coverage with a reduction in warranties such as failure of infrastructure and electromagnetic radiation. Insurers are asking more and more questions about remote access and security, due to the significant increase in teleworking.

The crisis has enabled insurers to review the terms and conditions of their policies; It is essential in the current situation to put more clarification in the contracts. For example, in the definition and when writing exclusions, so-called « silent cover » and named perils. The « All risks » cover, silent cover as well as legal uncertainties will have a significant impact on the results of insurance companies.

What about Reinsurance in this crisis?

The COVID19 crisis marked a difficult period for insurance companies. Companies’ balance sheets were already in difficulty before the crisis ; Today they have published half-yearly results down by almost 50%.

Indeed, this crisis is now creating new uncertainties, which complicates relations between actors and affects renewals. This is why insurance companies have streghthened the measures taken over the past year to adjust underwriting results.

Affected by the Covid-19 crisis, reinsurance companies have decided to review reinsurance contracts and to be more rigourous ragarding terms and conditions with specific exclusions for epidemics and pandemics.

For this reason, the Lloyd’s Market Association (LMA) has published a model of exclusion for communicable diseases, to be used for insurance policies in all lines of business.

Reinsurance treaties generally exclude the risk of epidemics and pandemics in the lines of business that are most exposed to this type of risk. Non-proportional reinsurance, in excess of loss and per event, can be the main alternative for pandemic risk coverage.

Although, various specialty lines are developing to cover pandemic risk and in particular medical fees, assistance and cancellation of events following the occurrence of a pandemic.

The global reinsurance industry is expected to reach a combined ratio of 101% to 105% in 2020, or even higher if the insured losses of COVID-19 worldwide exceed $26.24 billion for the entire reinsurance industry (estimates up to November 8th, 2020).

Nevertheless, P&C reinsurance pricing is becoming more aggressive, profits from life reinsurance remain stable so far, and the sector's capital remains strong, while lower than at year-end 2019.

" The outlook for the global reinsurance industry will be more challenging, highlighting a «hard market» period for 2021 renewals, with a particular focus on the scope of coverage. "

According to Fitch Ratings, the outlook for the global reinsurance industry will be more challenging, highlighting a «hard market» period for 2021 renewals, with a particular focus on the scope of coverage. Insurers continue to maintain strong pressure on terms and extensions of cover.

The rating agency expects that reinsurers will maintain upward pricing momentum until 2021, leading to an improved technical profitability for all the sector. However, the increasing losses due to the coronavirus pandemic, the effect of the global recession on premium volumes and an increasingly low interest rate environment will negatively impact the sector's financial performance in 2020 and 2021.

Creation of reinsurance pools to cover pandemic risk

In view of the industry's exposure to pandemic risks and since business interruption losses have occurred in almost all sectors of the economy at the same time, they can not be recovered only by the private sector.

" Creation of government-funded pools of risks in which insurers can participate with limited capacity may be the appropriate solution. "

Therefore, creation of government-funded pools of risks in which insurers can participate with limited capacity may be the appropriate solution. Insurers can provide assistance in accurately assessing risks and organizing the allocation and settlement of claims.

National pandemic pools should be «simplified» and should focus on the pandemic only as a covered peril. The pool funding should concentrate on Contingent Business Interruption risk which should become compulsory.

In the event of a pandemic, pool funds - the premiums collected and government-guaranteed funds - can be used to reduce the loss of business and to boost a slowing economy. Usually, the funds can be invested to generate returns over the time from other potential growth opportunities. A such specialised fund can also help governments to respond to emergency situations in the event of a pandemic.

This reinsurance solution has been proposed by several international entities while insurers and professional associations in the UK, France, Germany and the US are seeking government – sponsored risk transfer pool to prevent future pandemics, similar to existing mutual insurance schemes covering damages due to terrorist attacks (like the Pool Re supported by the UK government).

4. Reinsurance News : «COVID-19 loss reports and reserves reported by insurance or reinsurance companies».

However, most of the solutions proposed by these countries are schemes programmes that aim to provide protection within national borders.

Mergers - Acquisitions : 2020 outlooks

The mergers and acquisitions market is holding its breath. While the effects of the Covid-19 pandemic are still obvious in the companies' accounts, several projects are being pushed, or even compromised.

A study carried out by Willis in partnership with Cass Business school has highlighted strong regional disparities in terms of performance and transaction volume.

Indeed, the American market has had greater negative impact on the capacity of American companies that do not perform well in their negotiations. Europe was better than many other regions, which is mainly due to the availability of a large volume of transactions and that the commitments were made before the start of the pandemic.

" Pandemic bonds are part of the Pandemic Emergency Financing (PEF) mechanism. "

A New Insurance Instrument : Pandemic Bonds

Pandemic bonds are part of the Pandemic Emergency Financing (PEF) mechanism set up in 2016 by the World Bank in partnership with the World Health Organization (WHO) and reinsurers such as Swiss Re, Munich Re and Guy Carpenter to respond to the devastating effects of the Ebola virus, which caused more than 11,300 deaths in 2014. It is a financial instrument that operates like an insurance policy. It consists of raising funds from private investors in order to be able to deploy significant financial resources in short period of time in the event of an epidemic.

The World Bank sells bonds to investors, who receive an annual return, known as interest yield. The bonds are partially paid by the contributing countries (Japan, Australia, and Germany). If the criteria for a pandemic are met, investors lose some or all of the capital they originally used to buy the bonds. The equivalent of this amount is then sent to the poor countries affected by the health crisis.

" Pandemic bonds have been a major issue since the appearance of Covid 19."

In theory, this financial innovation seems to be a win-win solution for all parties involved. The World Bank is benefiting from an emergency fund made up of private investments. The risk-related costs are therefore transferred to the financial markets. Paying countries are less involved. The 75 member countries of the International Development Organization can obtain «quick» financial assistance in the event of a pandemic. Finally, investors benefit from an attractive investment with low interest rates.

However, pandemic bonds have been a major issue since the appearance of Covid 19. For the world of finance, these high yield instruments demonstrate their relevance when the pandemic or disease will occur. This represents another example of market deviation, resulting this time in «speculating on death», against poor countries that are supposed to benefit from the bonds.

" Uncertainty is our biggest enemy with regard to microbes. We can predict the trajectory of an asteroid, the duration of a solar eclipse, but a pandemic is unpredictable and completely invisible..."

Franck Thilliez

Triggering criteria

The reality is more complex. Based on the risk modeling, these pandemic bonds are only paid out if the triggering levels of the bonds and swaps are satisfied.

The criteria used are multiple and very precise. They relate to the number of cases and deaths, the speed of spread of the disease and its propagation beyond borders. It depends on whether the pandemic is caused by influenza or another virus. For a coronavirus, for example, a 12-week period must have expired since the first cases appeared before any payment, and at least 250 deaths must have been reported in more than one country.

Data collection difficulties

This leads us to several questions about the quality of the data collected in relation to the number of infectious cases or the number of deaths, even though all countries do not have the same testing and counting procedures and do not have the necessary means to report data.

Involve more actors

Do these criticisms against the bonds, combined with the drop of their value and activation to face the Covid-19, mark the end of the game? Not necessarily. Past experience with catastrophe bonds shows that their interest remains even after such events». In fact according to analysts, these bonds will continue to be a successful niche market, completing other private or public schemes.

After the Covid-19 crisis, pandemic bonds will definitely develop in order to better identify the drivers or increase their transparency. The model will be refined with the evolution of the risk assessment. For example, it could be possible to set indicators related to the financial costs of pandemics rather than to the number of infections or deaths.

Solvency II over the Covid-19 pandemic

«Uncertainty is our biggest enemy with regard to microbes. We can predict the trajectory of an asteroid, the duration of a solar eclipse, but a pandemic is unpredictable and completely invisible...». Franck Thilliez,

Pandemic risk is not new to the insurance industry, but quite the opposite. In Europe, the «Solvency II» directive includes this risk among the «catastrophes» that insurers must take into account in their simulations of their financial strength.

With regards to Covid 19, the actuarial calculations provided within this framework should ultimately turn out obsolete; Since the event implies strict containment of the population and a simultaneous suspension of many activities, as opposed to the other epidemics occured until now (AIDS, SARS, influenza). The current situation reflects the occurrence of several simultaneous risks: a pandemic, but also a fall in activity, a drop in consumption, a rise in unemployment and a probable jump in unpaid debts and bankruptcies.

Currently, the main effects perceived are financial. While the impact on real estate prices is still difficult to measure, equity markets have undergone a sharp drop.

Nevertheless, thanks to the action of central banks, the situation of liquidity is less deteriorated than during the Subprime crisis of 2008.

The pressure was also noticeable on the bonds market. The ten-year government bond rate (TEC10) jumped in April before slowing down and even reaching negative values at the beginning of May, despite the significant State support to the stock market in order to boost the economy.

The Own Risk and Solvency Assessment (ORSA) can be, in this context, a valuable risk management measure.

" In Europe, the «Solvency II» directive includes this risk among the «catastrophes» that insurers must take into account in their simulations of their financial strength."

The ORSA, stipulated in Article 45 of the Solvency II Directive, consists of three assessments :

- The assessment of the overall solvency need,
- Assessment of the continuous respectof the regulatory requirements with regards to the adequacy of the SCR, the MCR and the calculation of technical provisions.
- The assessment of the gap between the company's risk profile and the assumptions underlying the Solvency Capital Requirement.

The ORSA projections, focused on the following four axes :

- The ORSA can be based on real-life scenarios and reflect management's expectations (the limitation in complying with the SCR coverage remains in the projections).
- Considering the credit risks, the breakdown of the ORSA projections spreads becomes important (default, risk premium, liquidity premium), especially in situations where insurers have the liquidity to pay claims and can therefore assume a buy-and-hold position on their bond assets.
- The sustainability of the mechanisms used to determine strategic asset allocations (real and implemented in projection models) with regards to changing market conditions is another issue.
- The revaluation models (which have considerably evolved) can undergo further adjustments to ensure that these implemented models in the projection techniques provide, in most cases, satisfactory results for all the economic scenarios generation.

The first impact of Covid 19 on insurance companies will be the development of a risk culture.

Strategic targets will now be driven by the risk appetite. The objectives presented in a business model will be driven by the exhaustive identification of risks.

This pro-active approach in managing solvency over the strategic plan will include stress-test scenarios on the main risk factors. This continuous monitoring process will permanently ensure the solvency of insurance companies.

" Supervisors should ensure that regulatory measures are respected with strengthened liquidity risk management."

Regulatory impact of Covid 19

During this crisis, the supervisory authorities play a key role and would ensure best practices in the market to mitigate any potential attack on insurers.

In this context, solvency calculations should be carried out in all transparency and should only be considered after all supervisory measures have been taken. Insurers in difficulty should develop credible plans to restore their financial strength if short-term losses related to the crisis have a severe impact and threatened to reduce capital below regulatory minima. Supervisors should ensure that regulatory measures are respected with strengthened liquidity risk management.

Many authorities have taken regulatory measures to support companies. Indeed, some supervisors are in favor of a grace period for the payment of premiums. Other measures facilitate the insurers' continuity of activities. The timely processing and payment of claims is important to maintain the confidence of the public in the insurance industry and supervisors.

New approaches have appeared previously and have become more and more important during this crisis. The objective is to develop operational resilience in the financial sector. This approach represents «the ability of firms and all the financial sector, to prevent, adapt, react, recover and learn from operational turmoil».

Tunisia:
" We must adapt and quickly."

Tunisia: « We must adapt and quickly»

In Tunisia, as a result of the Covid-19 pandemic and the containment measures adopted from March to May 2020, the economy is expected to decline by 7% in 2020 according to IMF forecasts.

For the insurance sector, we have recorded, in the 1st half of 2020, a decline in the number of policies underwritten by 10% due to the fall in the cars importation activity for the Motor line of business and was limited to the renewal of existing policies.

In the same way, the number of policies issued in the fire insurance branch also fell by 12.5%. Transport insurance was down by 10.9% and other lines decreased by 26.4%. The slowdown was more significant for the aviation line of business with premium rebates of around 40% until 31/08/2020.

Due to the sharp drop in air traffic, following the covid-19 crisis, the civil liability cover has seen a dramatic decrease as it depends on the number of passengers and flights. This decrease is less important for the hull cover.

As a result, insurance companies recorded a 16% decrease in claims, mainly due to a drop in accidents in the motor branch.

In addition, the compensations paid to the transport sector (maritime and air transport) fell to 7.3 MD, against 11.5 MD compared to the same period last year.

For the pandemic risk guarantee, it mainly concerns the life (personal insurance) and the credit lines of business.

Given the potentially low cases of death, the impact of the pandemic will be limited. Therefore, the consequences will not be very significant since it is not the overall population that is insured or reinsured.

Moreover, life insurance in Tunisia is linked to real estate loans in all regions on a portfolio of young people with an average age of 40 years, which reduces further the risk.

For property and liability lines, the effect of Covid-19 will mainly be of an economic nature which will not generate a large number of claims in addition to a few small claims such as medical care, travel insurance, cancellation of events.

" In response to the COVID-19 pandemic, the Tunisian insurance market convened and adopted a standard exclusion clause for communicable diseases that will be included in the insurance policies of companies."

In response to the COVID-19 pandemic, the Tunisian insurance market convened and adopted a standard exclusion clause for communicable diseases that will be included in the insurance policies of companies.

Recently, Coronavirus has been recognized as a professional disease for public and private health staff. In this case, compensation will be made by the National Health Insurance Fund (CNAM). In the case of a corporate policy that has been purchased by employers for the benefit of the medical staff, the insurance companies can also intervene to compensate the insured in case of infection by the virus.

This health crisis, which is never covered in an insurance policy, must be supported by both the government and the insurers within a public-private partnership.

Crises inspire creativity and innovation

The Coronavirus crisis, which lasted several months, was the starting point for the projects of online distribution platforms for insurance products and claims reporting, and even for accelerating their application.

Tunisian insurance companies were hurrying to put at the disposal of their clients the solutions that will ensure the continuity of their relationship during this crisis.

This is how BH insurance launched the first WinInti digital client space which allow the access to different policies, to follow the settlement of claims, health care, the insurance portfolio, online payment, all the products included as well as claims processing via the Web & Mobile client space.

Meanwhile, Carte assurances has been a pioneer in the adoption of digital signatures in response to the growing demand for online services. This solution was designed to accelerate the digitalisation of the company's online sales process.

Recently, Assurance Maghrebia has launched the distribution of Home Insurance Packages that are adapted to Tunisian households' needs entirely online, including the digital signature of the policy.

In the middle of the year, the company has also launched the sale of online travel insurance policies.

All these initiatives, however, must be accompanied by the implementation of the appropriate regulatory framework governing the concept of online insurance policies, in particular the digital signature of contracts by policyholders.

Covid 19 will reveal the structural vulnerabilities of the insurance sector in many emerging countries and will surely lead to a long, difficult and crucial transition. The cost of this transition is certainly high but the big error will be to favor the temporary over the permanent.

NEWS

National

Tunis Re Flash Infos

In the framework of adopting the new international IFRS standards, Tunis Re has just started, during the third quarter, the implementation of its "IFRS" standards, supported by a well reputed and highly experienced mentor.

FLP 2021: Raising the deduction limit for life insurance premiums to 100,000 dinars

The Finance Law Project for the year 2021, article 20, proposes to raise the ceiling for deduction of life insurance premiums and capitalization from 10 thousand dinars to 100,000 dinars per year, notwithstanding the minimum payable tax of 45%.

Compensation for flood victims in Nabeul

Under the Law No. 2019-24, which widened the scope of intervention of the Guarantee Fund for Insured Persons «FGA» to compensate for damages resulting from the floods of 2018, Tunis Re was appointed to manage the property damages section for losses suffered by victims of the governorate of Nabeul.

The situation as at October 20, 2020 is as hereinafter provided:.

Nombre de Dossiers :	
- Deposited	874
- Treated	148
Amounts approved in TND	4 637 371.134
Amounts settled in TND	4 587 423.969

Recognition of COVID-19 as a communicable disease and classified as an occupational disease

By order of the Minister of Health dated August 19, 2020, infection with the Corona virus «Covid-19» was listed as reportable communicable disease.

Furthermore, the coronavirus is recognised as an occupational disease for active workers in the healthcare sector either public or private.

Road safety in Tunisia

The Tunisian Federation of Insurance Companies «FTUSA», in partnership with the National Road Safety Observatory, launched at the beginning of October 2020, an awareness campaign aiming to reduce the number of road accidents in Tunisia.

It is worth remembering that in 2019 losses caused by accidents cost nearly 700 million TND to insurance companies and to the national economy.

MAE Assurances, The first Tunisian social and solidarity insurance company

The «MAE Assurances» announces the launch of its mutual foundation, which will handle the philanthropic strategy of the company mainly based on the social and solidarity development and investment in the technological innovation within human reach.

New-born «Lloyd Vie»

The Tunisian Insurance Company «Lloyd Assurances» has finalized the creation of its Life subsidiary called «Lloyd Vie». The starting is scheduled for January 2021, by the transfer of the existing Life & Capitalization portfolio of Lloyd Tunisien.

Gat -Vie: Modification of the Mode of Governance

The Extraordinary General Meeting of the company Gat-Vie held on 23/10/2020 approved the amendment to the company's mode of management by abandoning the dissociation of the duties of Chairman of the Board of Directors and Chief Executive Officer and adopting the aggregation of these positions as single office.

Stock market listing of «Assurances Maghrebia»

The MAGHREBIA Insurance Company obtained, on Tuesday, September 1, 2020, the agreement in principle of the Board of Directors of Tunis Stock Exchange to be listed on the Main Market.

Assurances Maghrebia chose the Stockbroker MAC SA to oversee the IPO.

The Tunisian Insurance Companies on the path to digitalization

- "STAR" signed a partnership agreement with "AUDATEX Tunisia", a subsidiary of Solera Group, world leader in the exploitation of risk and asset management data.

This agreement will notably allow STAR to simplify and standardize the assessment of damages and to have an accurate and rapid management of motor claims and therefore reduce costs and delays in the claims management process.

- "Assurances Maghrebia" recently launched the marketing of its online Home insurance packages that meet the Tunisian households' needs. To this end, «Maghrebia» has concluded an agreement with «NGSign» for the implementation of the electronic signature for all its online contracts through the website or the mobile app of Assurances Maghrebia. This digital solution will avoid to policyholders the need for moving to take out these insurance contracts.

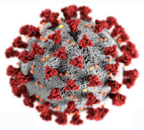
NEWS

International

Spread of Coronavirus Pandemic (COVID-19)

Coronavirus Cases

44 180 564



Deaths

1 170 240

Active Cases

10 653 111

Recovered

32 357 213

Last update: 28 October 2020

Source: https://www.worldometers.info

Negative outlook for the reinsurance market

Fitch Ratings expects that the financial performance for 2021will inevitably be impacted by losses due to the covid-19 pandemic. In addition to the effects generated by the current global recession and the persistence of low interest rates are not on the reinsurers' side.

Algeria: Proposal to abolish the anti-pollution tax

The project finance law 2021 provides for the abolition of the pollution tax applicable to cars and rolling machines due to its negative impact on insurance companies' results.

As per the finance law 2020, insurers are currently collecting this tax on behalf of the tax authorities from the policyholders when taking out any motor or machinery insurance.

Doha Bank Assurance Company: New corporate name

Doha Bank Assurance Company, a subsidiary of Doha Bank, has been rebranded as "Sharq Insurance" along with new logo and visual identity.

ARIG ceased underwriting activity

The Extraordinary General Meeting of Arab Insurance Group «ARIG», held on August 13, 2020, approved the decision of the Board of Directors to shut down the activities of the company and the run-off of its regional reinsurance portfolio.

Ivorian insurance market 2019

The turnover of the Ivorian market reached 390.7 billion FCFA (667 million US $), up 8.6% compared to 2018. Non-life premiums, which represent 57% of this market share increased by 8.29% to reach 222.4 billion FCFA.

As for life insurance, it totaled FCFA 168.7 billion in premiums, recoding an improvement of 9.3% compared to 2018.

Guinea: Launch of SAAR TAKAFUL

SAAR Assurances Guinea launched a window for the marketing of insurance products compliant with Islamic Shariaa, called «SAAR TAKAFUL».

Africa Re: New office in Dubai

«Africa Re» set up its first office outside Africa, in Dubai International Financial Center «DIFC» under the name of «Africa Re Underwriting Agency Limited».

SCOR rejoins the French Insurance Federation

The «SCOR» has just returned to the French Federation of Insurance «FFA», after the latter made changes to the statutes stipulating that the «FFA» is not qualified to collect or withdraw funds from its members, other than the membership fees.

The reinsurer had left the federation to protest against the procedure adopted to finance the solidarity fund of € 400 million.

Mergers & Acquisitions

Ascoma's African business was sold to the Lebanese Chedid Capital. The latter will take over Ascoma broking operations in Africa with a network in 20 countries across the continent.

Therefore, he broker changed hands everywhere except in France and Monaco. The transaction is yet to be approved by the regulatory authorities.

Appointments:

- Mr. Akinsola Ale is appointed Managing Director / CEO of Nigeria Reinsurance Corporation "Nigeria Re".

This decision is approved by the National Insurance Commission (NAICOM) on August 31, 2020.

- Mr. Antoine Compaore is appointed CEO of Globus Re.

Activity Figures of The Tunisian Insurance Market As at 30.06.2020

In MDT

At June 30th, 2020, The Insurance sector in Tunisia has been characterized by :

- The market generated a total turnover of TND 1 392.8 million, showing an increase of 4% over the same period last year.
- Total compensations reached TND 528 million reporting a 16% decrease compared to 30.06.2019.
- A total number of isued policies of 1 564 270 by a decrease of 10%.
- A total number of reported claims equal to 633 723 down by 13% over the same period last year.
- Investments reached TND 6 433 million, up by 13% compared to 30.06.2019.

	2018	2019	Evol 19/18	30/06/2019	30/06/2020	Evol 20/19
Turnover	**2252.4**	**2436.5**	**8%**	1334.1	**1392.8**	**4%**
Motor	980.4	1039.7	6%	603	614.5	2%
Life	507.2	575.6	13%	276.6	290	5%
Others	764.8	821.2	7%	454.5	488.3	7%
Claim Charges	**1262.8**	**1316.9**	**4%**	628.8	**528**	**-16%**
Motor	662	707	7%	337.3	247.5	-27%
Life	165.5	145.1	-12%	79.9	72.9	-9%
Others	435.3	464.8	7%	211.6	207.6	-2%
Nbr of issued policies	**3 033 052**	**3 151 372**	**4%**	1 740 685	**1 564 270**	**-10%**
Motor	1 817 557	1 840 857	1%	994 894	942 689	-5%
Life	584 956	622 478	6%	376 659	327 659	-13%
Others	630 539	688 037	9%	369 132	293 922	-20%
Nbr of Reported Claims	**1 446 343**	**1 403 106**	**-3%**	728 346	**633 723**	**-13%**
Motor	293 493	295 774	1%	150 780	103 932	-31%
Others	1 152 850	1 107 332	-4%	577 566	529 791	-8%
Investments	**5 443**	**5 977**	**10%**	5 688	**6 433**	**13%**

Best wishes of Good Luck to our dear colleague Mr. Boubaker Ben Attia

Exemplary Employee of the Year 2019

Happy Retirement to our dear colleague Mr. Jamel Ben Ferjani

Director of Publication : Mrs Lamia Ben Mahmoud

Contact : Marketing Department Web Site : www.tunisre.com.tn Email : mark@tunisre.com.tn

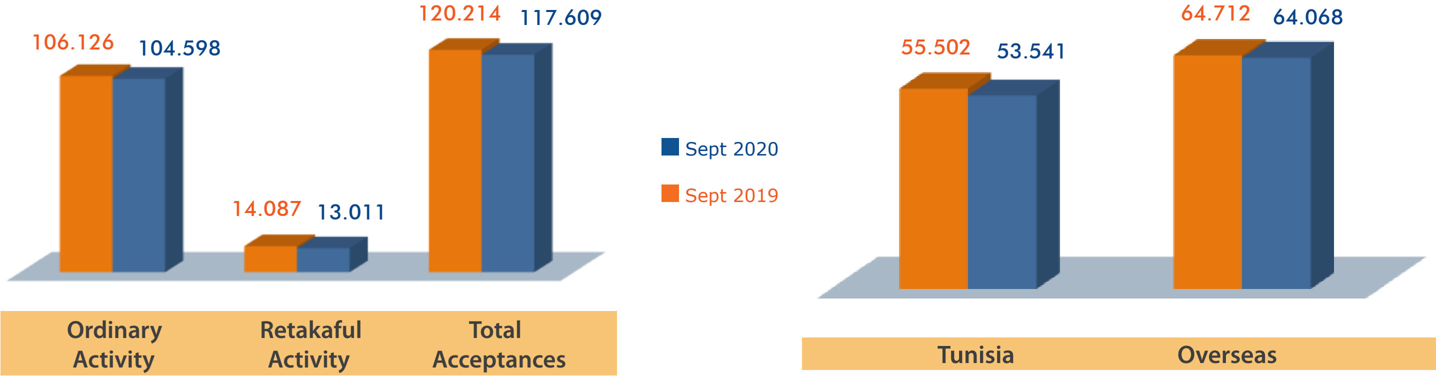
Société Tunisienne de Réassurance

12, Avenue du Japon Montplaisir - B.P 29 - 1073 Tunis - Tél : (216) 71 904 911 Fax: (216) 71 904 930 R.C. : B1115971996

Activity Figures of Tunis Re
3rd Quarter 2020

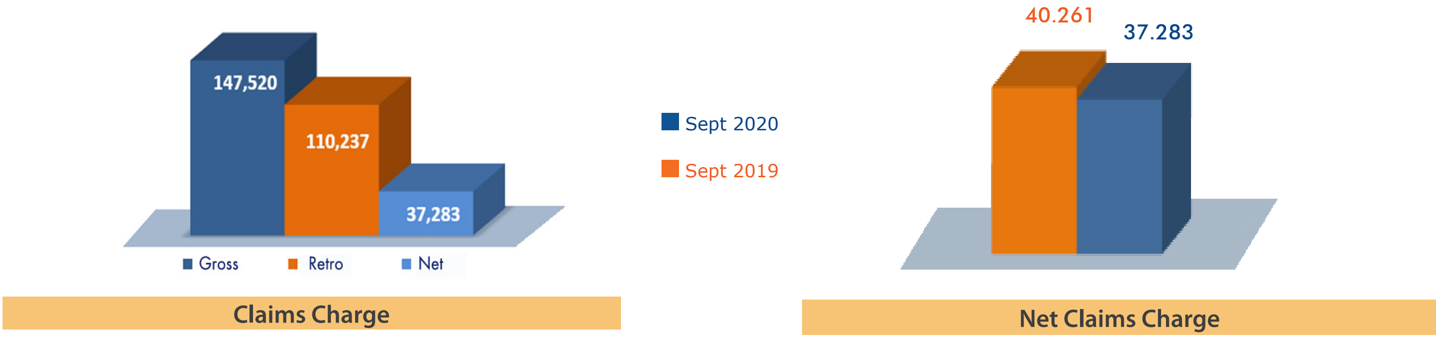
Turnover :

(M TND)



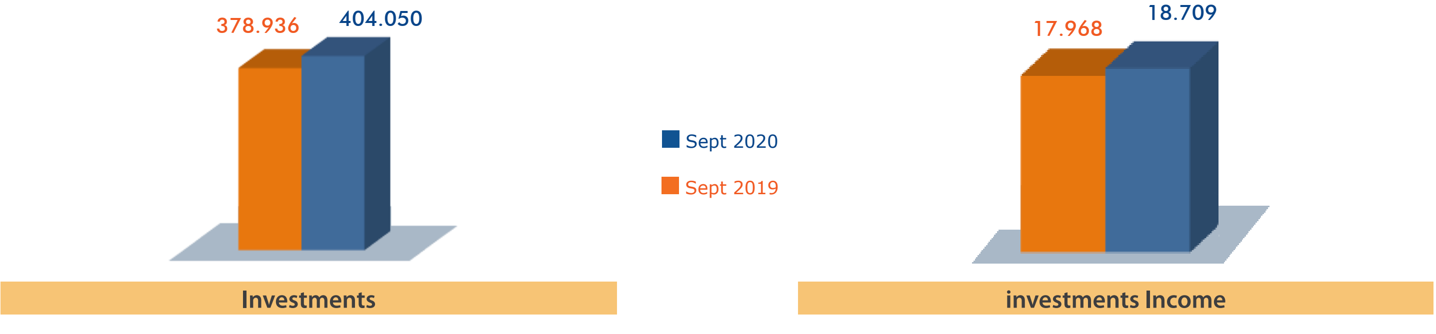
Claims Charge :

(M TND)



Investments :

(M TND)



Stock market : Figures as at 30.09.2020 of the listed Insurance Companies (In M TND)

Company	Premiums			Gross Claims Charge			Investments		
	Sept 20	Sept 19	Var %	Sept 20	Sept 19	Var %	Sept 20	Sept 19	Var %
STAR	290.639	296.374	-2%	166.844	218.265	-24%	65.620	59.363	11%
ASTREE	141.735	135.273	5%	52.606	55.025	-4%	28.265	62.780	-55%
BH Assurance	94.797	90.523	5%	44.057	40.597	9%	11.529	10.113	8%
Tunis Re	117.609	120.213	-2%	147.520	62.687	135%	18.709	17.968	4%