



EDITORIAL

Companies are evolving in a more dynamic, complex and interconnected world! In addition to the economic uncertainties associated with the current financial situation, the Covid-19 crisis has already and will continue to have significant financial implications.

The first expiry date of the 2021 renewal campaign, 1st January, was marked by a moderate recovery in rates compared to expectations, despite the difficult conditions of the reinsurance market before the Covid 19 crisis.

Abundant capital has partially slowed down these rate increases. Nevertheless, several insurers and reinsurers have reviewed their underwriting policy: Since May 2020, they have introduced a Pandemic exclusion clause in their policies which reduced the scope of some property and casualty covers and cancelled some buy-backs of exclusions.

An increasingly selective underwriting policy of ceded risks is being noted. Indeed, insurers and reinsurers have become more attentive to the quality and performance of their portfolio.

In particular, property and casualty reinsurers have been heavily impacted by the Covid-19 crisis and have been affected by the Beirut explosion (market impact of €1.5 billion) and many other claims (forest fires, floods). The reinsurance treaties for corporate risks have been renegotiated with very important increases.

Moreover, it has been difficult for reinsurers to achieve positive Returns On Capital as a result of COVID 19 effects, combined with the occurrence of several natural disasters in the second half of 2020.

Meanwhile, the rating agencies have downgraded the growth outlook for reinsurers around the world from stable to negative.

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AIR TRAFFIC IN A COVID-19 CONTEXT

"When everything seems to be going against you, remember that the airplane takes off against the wind, not with it."
Henry Ford



By
Mourad El Aroui
& *Imen Ben Moussa*

In a few months, the coronavirus epidemic, which originated in Wuhan, China, turned into a global pandemic. To limit its effects, governments adopted strict measures in March 2020 : the closing of borders and airports, the confinement of populations, the restriction on travel and the suspension of almost all international flights. An unprecedented situation that caused the collapse of air traffic, which has been the most affected sector.

As in many other countries, Tunisia was not immune from the negative impact of this crisis. The air industry, which is essential to ensure connectivity and support tourism, is expected to lose this year 600 million USD due to the Covid-19, which will reduce the country's GNP by 1.2 billion USD and threaten 92,700 jobs. ⁽¹⁾

Historical Overview

The current situation is different from what the industry has experienced before :

- After the events of September 11th, the airspace was closed for 4 days and air traffic has been restored thanks to the safety measures deployed in the airports. This is a one-off event, occurring within a limited period, unlike the COVID-19 pandemic, which is constantly evolving and has left everyone in uncertainty about both the duration and extent of spread of the pandemic.
- The SARS (Severe Acute Respiratory Syndrome) epidemic, that occurred during the year 2003, is similar to the current crisis but was limited geographically to the Asian region.
- The volcanic eruption of Eyjafjöll in 2010 in Iceland has paralysed global air traffic for several days and covered a large part of northern Europe with ash. The scope of this phenomenon was more limited than the current pandemic.

Tunisia was not immune from the negative impact of this crisis.

(1) agenceecofin

(2) According to IATA press release No. 95 published on 24/11/2020.

Impact of COVID-19 on the Air Traffic industry

According to the International Air Traffic Association (IATA), overall figures of the travel sector are negative ⁽²⁾ :

	Unit	2020	2019	Change
No. of Passengers	Billion	1.8	4.5	-60.00%
RPK ⁽¹⁾	Billion \$	191	612	-68.79%
Seat Occupancy Rate	%	65.50%	82.50%	-20.61%
Revenues	\$ Billion	329	838	-60.74%

Compared to international markets, domestic markets have experienced an accelerated upturn, particularly in China and Russia.

For air freight, its performance is better than the passenger sector. Several airlines have converted their aircraft into cargo aircraft to meet the sharply rising demand for air freight. According to IATA, freight should account for 36% of revenues in 2020 against 17% in 2019 and its role would be strengthened by the distribution of vaccines. However, this sector would not be able to compensate for the loss of revenue from passenger sector.

As for the two giants of aircraft manufacturing, Airbus and Boeing, their number of contracts has dropped sharply. Between January and November 2020, Airbus received 300 net orders while the usual volume varies between 700 and 1,000 orders per year. For Boeing, the situation is more difficult with a loss of 381 orders. The company is already facing an unprecedented crisis since its Boeing 737 Max was involved in the Lion Air accident on October 29, 2018 and the Ethiopian Airlines accident on March 10, 2019. This model remained grounded for 20 months until the U.S. authorities authorised it to fly again on November 18, 2020.

Tunisia: the black year for tourism

The Tunisian travel industry accounts for 14% of the GDP and more than 400 thousand direct and indirect jobs. According to the Minister of Tourism Habib Ammar, all indicators are negative until 10/11/2020. Indeed, there has been a drop in the number of arrivals by 77.7%. Revenues fell by about 61.7% and overall nights spent by 80.5% ⁽²⁾.

It should be noted that an allocation of \$30 to \$50M has been mobilised by the United States and the European Union to support tourism sustainability in Tunisia for the next five years under the campaign «Visit Tunisia».

Tunisair: The warning bell

The turmoil resulting from the pandemic is particularly serious for the national airline Tunisair, which has been suffering for some time from financial difficulties that threaten its sustainability.

(1) RPK : Revenue Passenger Kilometers.

(2) webdo.tn

According to the report submitted to the stock exchange authorities on November 26, 2020, the number of passengers is down by 73% between January and September 2020, i.e. 848,693 passengers compared to 2.68 million in the first nine months of 2019. Revenues declined to 133 compared to 407 million euros for the same period in 2019 ⁽¹⁾.

The company presented to the Minister of Transport and Logistics an urgent backup plan to be combined with the restructuring plan already agreed in May 2019, essentially calling for the postponement of payment terms and debts as well as the alleviation of charges.

For air freight, its performance is better than the passenger sector.



In order to reduce financial charges, Tunisair has cut 247 positions and announced the elimination of 400 additional positions. The General Management said it had temporarily retained 50% of the salaries of its staff abroad. In the same context, some flights have been abolished such as those of Sfax-Paris or Tozeur-Lyon which cost the company 6 million dinars each year.

Transport of COVID-19 vaccines : Airlines and airports are getting ready

The announcement of an efficient vaccine against COVID-19 has raised hopes for a rapid recovery in air traffic.

According to estimates by the International Air Transport Association (IATA), 8,000 Boeing 747 cargo planes will be needed to deliver billions of injections to the world's population.

The main challenge for vaccine transportation is the control of the cold chain, which can only be kept between -70° and -80° for Pfizer's vaccine or between -20° and 8° for Moderna's. The cold chain is a key factor in the transportation of vaccines. This logistical system requires precise organisation by all operators in the air freight sector.

(1) airjournal.fr

The turmoil resulting from the pandemic is particularly serious for the national airline Tunisair.

A number of airports, such as Frankfurt, the European leader in freight transport in 2018, are ready and have certified cold storage areas.

For several months, airlines have been preparing for a massive transport of vaccines against COVID-19. In addition to the capacity issue, another major challenge is to respect the cold chain.

On December 30, 2020, the long-awaited AstraZeneca vaccine was approved by the British regulator. It is inexpensive and easy to store. Compared to Moderna and Pfizer vaccines, it can be stored at 2° to 8° and will be manufactured worldwide in 2021.

Will the airlines require a «vaccination passport»?

In order to avoid creating a global coronavirus outbreak, airlines propose to develop an ecosystem to share information with public health authorities and healthcare professionals in different countries.

The Australian airline Qantas has announced that passengers must show «a vaccination passport» to be allowed to board its international flights, a pass that could be extended to other competitors if the application succeeds.

Other projects are underway, such as IATA's Travel Pass application or the ONG commonPass to support the safe and secure reopening of borders by sharing tests or vaccines between governments, airlines, laboratories and travelers.

It should be noted that several companies offer travel insurance coverage that includes coverage for medical and hospitalisation expenses in case of a positive COVID test.

Impact of COVID-19 on Aviation Insurance

According to Lloyd's of London, the world's largest insurance market, the insurance losses due to the coronavirus crisis could amount to \$203 billion in 2020.

It is true that the aviation ecosystem has been hit hard in unprecedented levels, but compared to the property and casualty insurance market, this market has been relatively resilient to the consequences of COVID-19. This situation may be explained by:

- Business interruption is not covered by insurance policies;
- The aviation market is considered to be a small market ;
- Reinsurers pursued the tariff adjustment initiated three years ago with an increase in rates that varies essentially according to the loss ratio. As a result, the decrease in exposures has been absorbed by the increase in premiums ;

To support the airlines, reinsurers have granted them rebates for the year 2020.

- Policies are no longer adjustable for the majority of airlines but may be partially adjustable for companies with a good risk profile. The reinsurers have also imposed minimum premiums to protect themselves from a possible decrease in exposures.

This does not prevent insurers from facing an accumulation in the exposure of aircraft on the ground in one place. They must consider the impact of an unforeseen event, such as a natural disaster, explosion, fire, terrorist acts, etc.

To support the airlines, reinsurers have granted them rebates for the 2020 financial year, which are calculated on the basis of the difference between actual figures and the forecast data communicated at the time of renewal of the insurance policy. This decision has certainly helped the airlines to alleviate their cash-flow, but it has also led to a drop in turnover for insurers both nationally and internationally.

Indeed, the volume of premiums written by the international aviation market is expected to reach \$1.5 billion in 2020, down by 21% compared to the volume expected in 2019.

As for the Tunisian market, it recorded until 31/08/2020, a loss of revenue of 4 millions TND and which should reach 5 million TND by the end of the year.

The announcement of an efficient vaccine against COVID-19 has raised hopes for a rapid recovery in air traffic.

Lloyd's: Creation of a new syndicate to contribute to the fight against COVID-19

Last October, the Lloyd's market created a new syndicate called «1796 syndicate» which covers the transport and storage of vaccines against COVID-19, particularly to emerging countries.

This syndicate was developed in collaboration with several market operators, including the insurer AXA XL. It will be supported by specialist cargo insurers to ensure appropriate pricing. It will begin underwriting in 2021.

A positive impact on the environment: decrease in CO2 emissions

The pandemic will at least have been good for the climate this year. In fact, global CO2 emissions for aviation have fallen by 75%.

The recovery will not occur before 2024.

IATA expects a loss of revenue of \$118.5 billion in 2020 and \$38.7 billion in 2021 ⁽¹⁾. The positive impact of vaccine development on the economy and air traffic will not be perceived until mid-2021.

Airlines are now targeting 2024, one year later than planned, to get back to pre-pandemic coronavirus activity. The industry could suffer further with an excessive increase in costs related to the new health measures.

(1) : According to the press release No. 95 published on 24/11/2020 by IATA.

Airlines are now targeting 2024 to get back to pre-pandemic coronavirus activity

For people going back to flying, borders must be opened safely and without quarantine. But is this possible with the number of new mutations of the virus?

Certainly, the recovery will be long and difficult.

Faced to this unprecedented crisis, it is worth asking the following questions :

- Is it possible that business travel will no longer regain its pre-crisis level in view of the rising of videoconferencing, which has proven its effectiveness and efficiency in managing meetings ?
- Is it possible for airlines to ensure their survival in an uncertain environment without any need for government loans and financial support ? If so, what are the measures to be taken to achieve this ? What about companies from developing countries such as Tunisia ?
- Is the labor market ready to reintegrate the dismissed, especially in countries where the pre-crisis unemployment rate is already high ?. ■

Certainly, the recovery will be long and difficult..



NEWS

National

Tunis Re Flash Infos

- Tunis Re's compliance with the MSI20000 financial standard has just been reaffirmed. This certification, renewed in November 2020, supports the company's financial credibility and offers new opportunities abroad.
- As part of its Corporate Social Responsibility «CSR», Tunis Re has participated in the national campaign for the maintenance of primary schools, in cooperation with insurance companies, in order to improve conditions and shortcomings in the infrastructure.

Finance Act 2021:

The limit for the deduction of life insurance premiums increased to 100 thousand dinars. With a view to boost medium and long-term savings through Share Savings Accounts as well as life insurance and capitalisation contracts, the Finance Act 2021 raised the annual deductible amount from tax base to TND 100,000 subject to the minimum tax stipulated in the Tax Code.

Compensation for flood victims in Nabeul

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 20, 2021 ;

Nombre de Dossiers :	
- Deposited	874
- Treated	173
Amounts approved in TND	5 046 083.678
Amounts settled in TND	4 742 733.214

Road safety in Tunisia: Decrease in the mortality rate

The National Road Safety Observatory «NRSO» announced that, the number of accidents and road deaths have decreased in 2020 compared to the previous two years.

Therefore, road accidents caused 883 deaths, down by 22.41% compared to 2019, and 6438 injuries, a decrease of 24.15% compared to the previous year.

The general containment, experienced last spring following the Covid-19 outbreak, has significantly contributed to the decrease in the number of fatal traffic accidents on our roads.

COVID-19: Creation of a fund to support impacted SMEs

The Deposit and Consignment Fund «CDC» has launched, on December 30, 2020, the ASPIRE campaign which is a fund to boost the sustainability of Tunisian SMEs, with the support of the U.S. Agency for International Development «USAID», as part of its Emergency Fund for 700 millions dinars.

These funds will provide equity financing of 1 to 5 million dinars to Tunisian SMEs facing difficulties in raising capital due to the pandemic.

«Assurances Maghreb» listed on the Stock Exchange

The capital increase of the company was carried out through Fixed Price Offer (FPO), with a total of 1,350,000 shares representing 30% of the company's share capital and a selling price of 55,500 dinars per share. The operation involved a total amount of 74.9 million dinars.

The day of its listing, the market capitalisation of Assurances MAGHREBIA amounted to 249.75 million dinars.

The introduction of Assurances MAGHREBIA on the Stock Exchange increases the number of listed insurance companies to 5.

WININTI: The new BH Insurance application

BH Insurance has developed «WININTI», the 1st mobile multi-channel application in the Tunisian insurance sector, offering its clients the opportunity to manage their contracts, follow-up on claims settlements, refunds and many other online services.

Gaming in Insurance

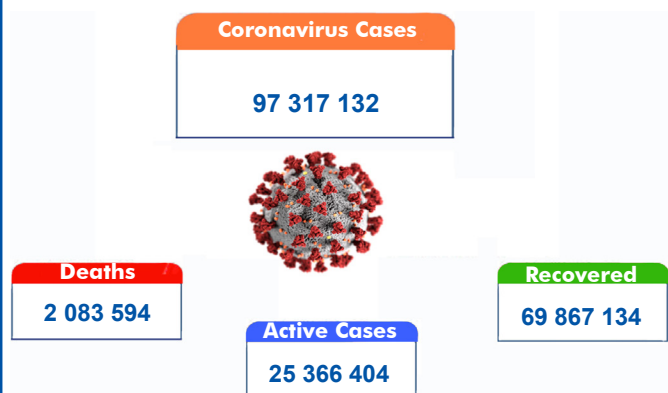
The Tunisian Insurance and Reinsurance Company «STAR» has launched in partnership with «CEED-Tunisia» a competition for Tunisian start-ups specialised in high-tech finance, also called «Fintech», to develop a gaming application.

This new concept aims to directly involve the consumer in the marketing strategy of the company and become more interactive.

NEWS

International

Pandemic Tracker (COVID-19)



Last update: 21 January 2021

Source: <https://www.worldometers.info>

EUA – Reinsurance: Deferral of the rating requirement

To cope with the toughening of renewal conditions and the impact of the covid-19 pandemic, the Insurance Authority decided to exempt insurers operating in the UAE writing reinsurance business along with (re)insurance pools and MGAs from the rating requirements for a period of one year starting from January 2021.

Falling revenues for the African airlines

African airlines were severely affected by the Covid-19 pandemic. The International Civil Aviation Organization «ICAO» downgraded its passenger traffic forecast for Africa to nearly US \$ 14 billion in 2020.

Algeria: Inter-company agreement to improve the Motor line

Algerian insurance companies (non-life) have signed an agreement (entered into force on January 1, 2021) aiming to clean up the Motor line in Algeria, stating:

- the adoption of a minimum premium rate per coverage ;
- the prohibition of issuing the optional guarantees without additional premium
- the application of deductibles to motor damages
- the compulsory implementation of the average clause for claims in the case of underinsured assets

This agreement was approved by the Regional Insurance Control Commission.

CICA-Re: Amendment of the legal cession in the CIMA Zone

The Extraordinary General Meeting of CICA RE held on November 11, 2020 approved the resolutions to manage the legal cession, with inception of 1st January 2021, as follows:

- Decreasing the legal policy cession from 5% currently to 2.25% on the direct business of all insurance companies (except the health and savings policies);
- Increasing the legal cession from 10% to 20% on all reinsurance treaties underwritten by insurance companies (except reinsurers);
- A legal cession of 10% against 5% previously on facultative business other than Oil, Gas and Aviation.

Libya: A unified exchange rate for the USD

The Central Bank of Libya introduced a unified exchange rate for the US dollar that became applicable from January 3, 2021. The new rate is of 4.48 dinars to the United States dollar and will apply to all public, private commercial and private foreign currency transactions.

Mergers & Acquisitions

- Three Ghanaian insurance companies, Star Assurance Company Limited, StarLife Assurance Company Limited and Star Microinsurance Company Limited, decided to merge into a new entity named Star Assurance Group Limited (SAGL).

Appointments:

- Mr. Blaise Abel Ezo'o Engolo has been elected Secretary General of the Inter-African Conference on Insurance Markets «CIMA».
- Mr. Olivier Mebiame Assame has been appointed Chairman of the Board of Directors of «CICA-Re».
- Mr. Karim Diarassouba has been appointed Director General of "CICA-Re"
- M. Tarek Seif a été élu au poste de secrétaire général de la Fédération Egyptienne des Assurances.
- Mr. Benoît Ribadeau-Dumas was chosen as Chief Executive Officer of the SCOR Group, replacing Mr. Denis Kessler who will step down as CEO in 2021 and will retain the chairmanship of the group.
- Mr. Tarek Seif was elected to the post of Secretary General of the Egyptian Insurance Federation.

Activity Figures of The Tunisian Insurance Market As at 30.09.2020

In MDT

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

- The market generated a total turnover of TND 1 911 million, showing an increase of 5% over the same period last year.
- Total compensations reached TND 847 million reporting a 7% decrease compared to 30.09.2019.
- A total number of issued policies of 2 223 554 with a decrease of 8%.
- A total number of reported claims equal to 939 299 down by 7% over the same period last year.
- Investments reached TND 6 450 million, up by 11% compared to 30.09.2019.

	2018	2019	Evol 19/18	30/09/2019	30/09/2020	Evol 20/19
Turnover	2 252	2 414	7%	1 827	1 911	5%
Motor	979.7	1068.1	9%	832.9	853.6	2%
Life	507.5	559.3	10%	378.3	404.1	7%
Others	764.6	786.9	3%	615.5	653.3	6%
Claim Charges	1 268	1 419	12%	909	847	-7%
Motor	666.8	738.6	11%	491.9	420.2	-15%
Life	165.5	178.8	8%	116.6	112.3	-4%
Others	435.3	501.9	15%	300.6	314	4%
Nbr of issued policies	3 033 052	3 155 646	4%	2 424 485	2 223 554	-8%
Motor	1 817 557	1 855 860	2%	1 414 554	1 394 944	-1%
Life	584 956	643 546	10%	496 727	405 304	-18%
Others	630 539	656 240	4%	513 204	423 306	-18%
Nbr of Reported Claims	1 446 343	1 400 342	-3%	1 011 360	939 299	-7%
Motor	293 493	295 996	1%	217 382	164 304	-24%
Others	1 152 850	1 104 346	-4%	793 978	774 995	-2%
Investments	5 585	6 196	11%	5 832	6 450	11%

Happy Retirement to our dear colleagues Mrs Samia Ben Youssef & Mrs Zaara Bahri



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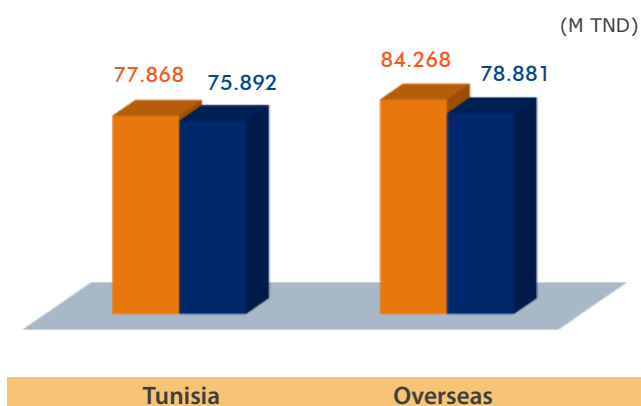
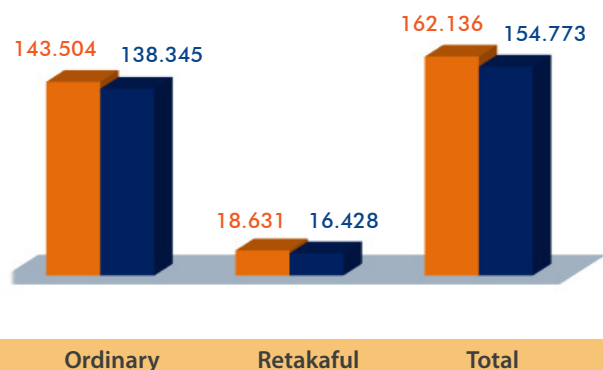
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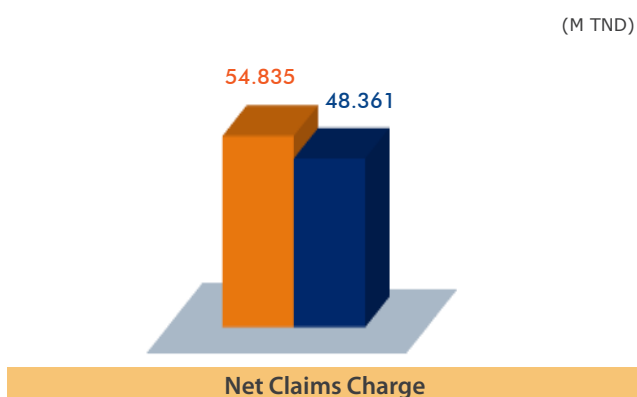
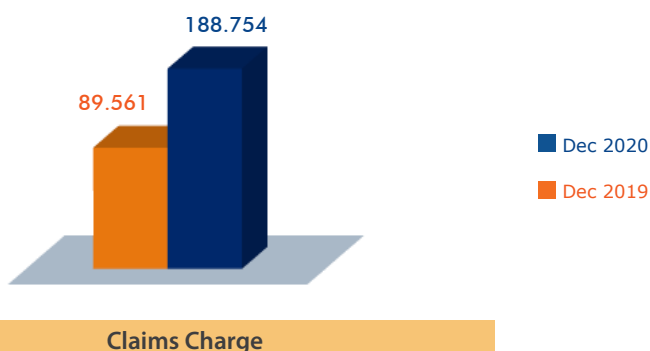
Activity Figures of Tunis Re 4th Quarter 2020



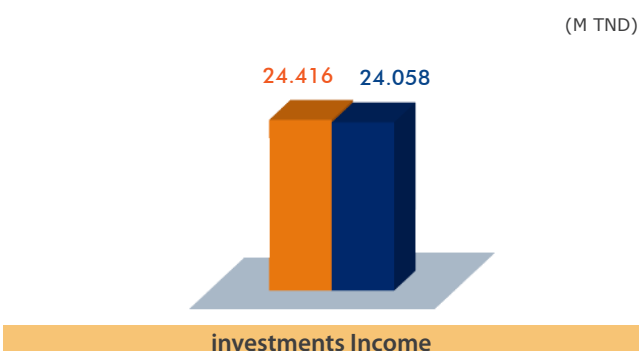
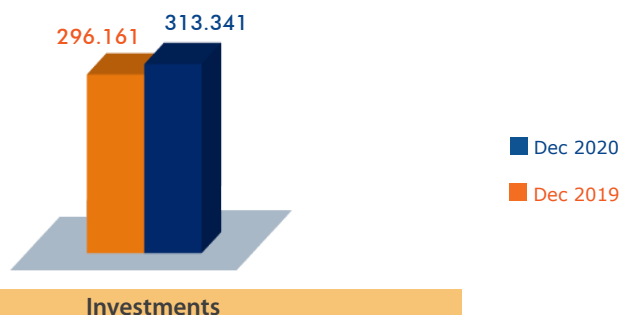
Turnover :



Claims Charge :



Investments :



Stock market : Figures as at 31.12.2020 of the listed Insurance Companies

(In M TND)

Company	Premiums			Gross Claims Charge			Investments		
	Dec-20	Dec-19	Var %	Dec-20	Dec-19	Var %	Dec-20	Dec-19	Var %
STAR	361.931	374.935	-3.5%	229.594	289.182	-20.6%	85.298	77.298	10.3%
ASTREE	172.451	166.707	3.4%	91.671	94.746	-3.2%	40.970	72.123	-43.2%
BH Assurance	127.122	116.707	8.9%	59.838	54.356	10.1%	15.359	14.295	7.4%
Assurances Maghrebria	187.442	170.769	9.8%	90.969	91.937	-1.1%	18.863	16.210	16.4%
Tunis Re	154.773	162.136	-4.5%	188.754	89.561	110.8%	24.058	24.416	-1.5%