



BEST'S CREDIT RATING ACTION

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AM Best Affirms Credit Ratings of Société Tunisienne de Réassurance

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//BestWire// - **AM Best** has affirmed the Financial Strength Rating (FSR) of B (Fair) and Long-Term Issuer Credit Rating (Long-Term ICR) of "bb" (Fair) of Société Tunisienne de Réassurance (Tunis Re) (Tunisia). The outlook of these Credit Ratings (ratings) is negative.

The ratings reflect Tunis Re's balance sheet strength, which AM Best assesses as strong, as well as its adequate operating performance, limited business profile and marginal enterprise risk management (ERM). The negative outlooks reflect ongoing country risk pressures in Tunisia, which could lead to further deterioration in the company's balance sheet fundamentals and in its ability to manage the heightened risk environment in which it operates.

Tunis Re's balance sheet strength is underpinned by its risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), which was at the strongest level at year-end 2023. This assessment factors in the company's conservative investment portfolio by asset class, and its concentration in Tunisia, where the company holds over 95% of its invested assets in line with regulatory requirements, which weighs on asset quality. Heightened economic and political risk in Tunisia has driven significant increases in required capital for investment risk since 2020, materially reducing the margin that Tunis Re holds in excess of the minimum required for the strongest BCAR assessment level.

Tunis Re has a track record of adequate operating performance. Over the 2019-2023 period, the company achieved an average return-on-equity ratio of 7.6%, with earnings largely stemming from solid investment returns. The company achieved a weighted average net investment yield (including gains) of 7.7% over the same period. Tunis Re's underwriting performance has improved since 2018, with its non-life portfolio generating a technical profit for the fifth consecutive year in 2023, which

translated in a five-year (2019-2023) weighted average combined ratio of 96.3% (as calculated by AM Best). However, foreign exchange gains and losses have introduced a level of volatility to Tunis Re's operating performance in recent years.

Tunis Re's business profile assessment reflects its leading position in Tunisia and its good diversification into regional markets. Whilst premiums generated outside Tunisia have accounted for approximately 50% of the company's gross written premium (GWP) in recent years, approximately 56% of premium was generated internationally in 2023. With GWP of TND 223 million (USD 73 million) in 2023, Tunis Re's operations remain of limited scale in the global reinsurance market.

AM Best assesses Tunis Re's ERM as marginal, reflective of the high-risk operating environment in Tunisia, and the adverse impact it has on the company's risk profile.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).

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