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A.M. Best Affirms Ratings of Société Tunisienne de Réassurance

LONDON, 21 July 2016—A.M. Best has affirmed the financial strength rating of B+ (Good) and the issuer credit rating of “bbb-” of **Société Tunisienne de Réassurance** (Tunis Re) (Tunisia). The outlook for each rating remains stable.

The ratings reflect Tunis Re’s strong risk-adjusted capitalisation, good operating performance and solid business position in its domestic market. The ratings also recognise Tunis Re’s exposure to the macroeconomic and political conditions in Tunisia, its core market.

Tunis Re’s risk-adjusted capitalisation remains strong, with a capital base sufficient to support the company’s risk profile. Tunis Re’s capital and surplus has been reinforced in recent years following a series of capital injections, with paid-up capital increasing by TND 25 million in 2015 to TND 100 million. A.M. Best anticipates prospective risk-adjusted capitalisation to remain strong and sufficient to absorb the company’s strategic initiatives, although earnings retention may be constrained by the company’s dividend policy, which is based on a percentage of paid-up share capital.

Tunis Re has a track record of good operating performance over recent years. However, operating profitability remains driven by investment returns, which accounted for over 60% of profit before tax (PBT) in 2015. Over the past five years, technical performance has been marginal, as evidenced by a five-year average (2011-2015) combined ratio of 99.0%. Tunis Re’s underwriting profitability improved in 2015, with the company

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reporting a technical result of TND 6.5 million (including allocated investment income). This was chiefly driven by a reduced loss ratio of 51.1% compared with 58.4% in 2014. As a result, Tunis Re's PBT increased by 34.4% to TND 17.6 million in 2015 from TND 13.1 million in 2014.

Tunis Re has a solid business profile as the leading domestic reinsurer in Tunisia, with an estimated market share in excess of 20%. While there are no compulsory reinsurance cessions in Tunisia, local insurers cede 15% to 20% of their premium revenue to Tunis Re, based on a longstanding gentlemen's agreement. In 2015, gross written premium (GWP) increased by 3.0% to TND 100.6 million from TND 97.6 million in 2014, with growth in the fire, accident and life classes offsetting reduced premiums in the aviation portfolio.

Whilst Tunis Re has successfully navigated through a challenging operating environment over recent years, the company remains exposed to economic and political challenges prevailing in Tunisia. Although Tunis Re continues to gradually increase its geographical diversification, Tunisian business still accounted for approximately 60% of GWP in 2015, and the majority of the company's assets remain invested domestically.

This press release relates to rating(s) that have been published on A.M. 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 A.M. Best's [Recent Rating Activity](#) web page.

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