

NATIONAL REINSURER

On track towards a brighter future

Tunis Re continues to play its role as a national and regional reinsurer, and its improved results show that the company is coping well with the challenges, says **Mrs Lamia Ben Mahmoud**, Chairman and CEO.

Although last year was challenging for Tunis Re, the company's top and bottom lines are growing in a satisfactory manner, noted Mrs Ben Mahmoud. GWP in 2014 is expected to have reached around TND97 million (US\$49 million), up 13% y-o-y. Profits are estimated to have increased by 30% to TND10 million, against TND7.6 million in 2013. Retakaful contributions are expected to have grown by 40% to above TND4 million, much higher than the market growth.

"Overall technical and investment results were satisfactory. The target was to double profits in 2014, but some fire accidents in Tunisia and an aviation accident in Libya affected the results. Still, our sound retrocession programme helped to largely alleviate the impact of these incidents," she said.

In the aviation incident, a Tunisian plane was attacked while stationed in the Tripoli airport, said Mrs Ben Mahmoud, adding that this had little impact on the net result because the aviation business is completely retroceded in London. "However, reserves and provisions have to be displayed in the records and therefore, this affected the size of profits. In general, we are very cautious and have a selective underwriting policy as a conservative reinsurer."

With Libya being one of the company's key markets and given the long-standing historical and economic ties between the two countries, the unrest there has impacted Tunisia, but Tunis Re will continue to support its partners in the market, said Mrs Ben Mahmoud.

She added: "Tunis Re is on the treaties of all Libyan players. We will continue to focus on the Maghreb region as Tunis Re is a Tunisian, Maghreb, African and Arab reinsurer."

Enhancing risk management

There has been an increase in the number of fire incidents in the country over the past three to four years. At least four large accidents occurred in 2014 and there are efforts to strengthen risk management techniques, said Mrs Ben Mahmoud.

"As a national reinsurer, we are calling for improvements in risk mitigation. We have noticed that companies do not scrutinise risks when underwriting. Such risks are in the treaty side and reinsurers have little control when writing them," she said.

She urged insurers to improve their pricing mechanism, too. "The January renewals reflected the softening seen in global markets. There is an over-supply of capacity and the competition is preventing prices from increasing"

Africa's attraction

The Tunisian market is the largest contributor to Tunis Re's GWP at 64%, followed by the Arab region (15%), Africa (13%), and Europe and Asia (8% combined).

Besides having huge untapped potential, Africa is one of the best insurance markets in terms of pricing, said Mrs Ben Mahmoud. "Compared to MENA, pricing in Africa is in line

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Mrs Lamia Ben Mahmoud,
Chairwoman and Director General, **Tunis Re**,
on other reinsurers setting up in Tunisia



with technical standards, probably because of the relative lack of capacity, unlike the situation in the Arab world.”

She hopes that the rush of many reinsurers and brokers to enter Africa, attracted by its low occurrence of catastrophes, will not lead to an abundance of capacity and therefore put pressure on the rates. “Africa is becoming an emerging market, like Asia.”

Tunis Re operates a branch in Ivory Coast to help maintain direct contact with the continent’s players.

Strengthening capital

Tunis Re has gradually increased its capital base to TND75 million in three stages. With political instability causing some delay to its plan to reach TND100 million in capital by 2014, the company announced its intention last year to attract a strategic foreign investor to acquire 25% of the TND100 million.

“The plan was to attract a strategic partner from a country which enjoys an enhanced rating in order to overcome the limitations of the sovereign rating, which has been under pressure particularly after 2011,” said Mrs Ben Mahmoud.

Several parties – including a few global investment banks – expressed their interest, but on the condition that they take a majority share. “Preserving the national identity of Tunis Re was non-negotiable and therefore, we could not proceed with the deal,” she said.

Mrs Ben Mahmoud noted that increasing capital is not difficult since several investors expressed their interest, but the priority was to attract a strategic partner to enhance the company’s rating and open the door to new business opportunities. “Hence, the board has decided to resume the move to increase capital without compromising Tunis Re’s identity. We are still open to having new investors, but in accordance with our standards.”

A.M. Best affirmed Tunis Re’s ‘B+’ (good) rating with stable outlook in July 2014. “This also confirms the confidence which the company has gained over the years,” she said.

Supporting the domestic market

As the national reinsurer for over 34 years, Tunis Re is actively involved in helping to upgrade the Tunisian insurance sector through various means. It is participating in designing the Contra Programme, financed by the EU, for the 2015-2019 period. The draft of the project states that the government will provide a proper regulatory environment in line with international standards for companies to operate in a healthy setting. This could see the introduction of tax incentives and price liberalisation in some branches.

Commitments from insurers include improving the level of services, IT systems and risk and management techniques. The aims are to improve insurers’ financial positions, root out troubled companies and support the sector’s soundness.

“The Programme will boost the performance of the sector. There is huge room for progress in the Tunisian insurance market,” said Mrs Ben Mahmoud.

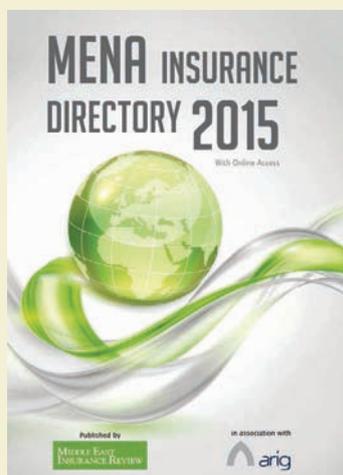
Looking ahead with optimism

Recently, Tunisia has been attracting several regional and international reinsurers to establish their base in the country and use it as a gateway to Africa, but this should not cause concern to Tunis Re, noted Mrs Ben Mahmoud. “Since its inception, Tunis Re has operated in an open and competitive environment without enjoying any obligatory cessions, unlike other state-owned reinsurers. This has made us more efficient and competitive. We look positively at having other players close to us so we can cooperate with them for the benefit of our markets.”

Despite recent terrorist incidents, Tunisia is on the right track to achieving stability and progress, especially after presidential and parliamentary elections and the adoption of the new constitution, she said.

“The country is gradually regaining investors’ confidence. The recent improvement in Fitch’s outlook to stable from negative in March, despite the terrorist attacks, indicates confidence in the government. There is definitely a bright and promising future for Tunisia,” she concluded. ▣

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