In step with partners

Growing protectionism and stringent rating requirements are keeping regional reinsurers on a tight leash. But there are exceptions. With a prudent underwriting strategy, high technical capacities and perfect partners, **Tunis Re** manages to sustain healthy performance, says **Mrs Lamia Ben Mahmoud**, Chairperson and CEO.

By Osama Noor

The regional reinsurance market has been seeing further crowdedness with several international players setting up shop to take advantage of direct contact with clients. At the same time, the sovereign ratings for several countries in the region are putting a constraint on the regional reinsurers' ability to expand their scope of business and explore opportunities in new markets.

"Probably the biggest challenge we, as well as most regional reinsurance companies face is the limited rating which remains largely tied to the sovereign ratings of these companies' countries. All markets, without exception, have become more stringent when it comes to the rating requirements for reinsurance companies," said Mrs Ben Mahmoud.

Last year, A.M. Best affirmed Tunis Re's rating of B+ (Good) with stable outlook. This satisfactory rating comes in spite of a difficult economic and financial context, she noted, pointing out that the company relies heavily on its cadres' technical capabilities and solid financial standing to build its portfolio. "A key strength for Tunis Re is the strong relationships built over the years with its partners. This has been a very supporting factor in dealing with the intensified competition with major reinsurance companies."

Tunis Re ended 2016 with its GWP reaching TND108 million (US$44.6 million), up by 8.2% y-o-y, while net premiums grew by 15%. Financial income jumped by 30% to TND17 million from TND13 million in 2015.

The currency issue

The African continent has been exposed to currency fluctuations for years with some countries experiencing severe impacts. In Tunisia, this has been more evident after the revolution of 2011. The Tunisian dinar has depreciated to $0.41 from $0.71 six years ago. "The rapid and continuous deterioration in the value of the local currencies, particularly in the African countries, has become a serious economic and political concern because the repercussions are on all economic, financial and social levels. The reinsurance market,

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Mrs Lamia Ben Mahmoud

in particular, has not been immune to the adverse impacts of this trend. The results for the international reinsurance markets in 2015 are evident as, for the first time, reinsurance activities have dropped mainly due to the currency deteriorations and the decline in prices," said Mrs Ben Mahmoud.

The currency dilemma could only be overcome by taking structural measures that would help drive the productive cycle and restore financial balances on the macro level of the countries. "This is beyond the direct control of the insurance and reinsurance sectors. Though challenging, we have been able to deal with it through prudent and conservative underwriting strategy.

"Players are required also to expand and diversify their sources of business as a basic procedure to help mitigate the possible impacts of such risk," she noted.

Covering NAT Cats

The insurance system in Tunisia is being reviewed to strengthen the sector so that it would be involved in covering new risks, including Nat CATs, said Mrs Ben Mahmoud. The plan includes introducing up compulsory insurance for the real estate sector in Tunisia against Nat CATs. "However, considering the magnitude of this type of risk, it can only be covered within the framework of a participatory system between the sector and the state. This formula has been effective and successful elsewhere, and we plan to adopt it in Tunisia."

Retakaful window performing well

Tunis Re started writing retakaful with a dedicated window in 2011 in response to the increased demand, said Mrs Ben Mahmoud. Takaful in Tunisia has been gaining traction as three takaful operations were launched in the past six years.

Additionally, Tunis Re launched its retakaful branch to serve and retain the retakaful portfolio the company has built in some countries in the Middle East, especially with the growth of the specialised retakaful capabilities, she said.

"Our transactions at this level saw a satisfactory development that surpassed pre-set goals. Although this portfolio remains modest compared to our main activity – not exceeding 15% of our total transactions, it is constantly increasing."

Cautious expansion

Tunis Re's strategy is based on cautious expansion and diversification in businesses, taking into account the right technical standards subject to the nature of risks, said Mrs Ben Mahmoud. "This has contributed significantly to ensure the development and sustainability of our portfolio with satisfactory profitability. In addition, this has helped preserve the quality of services we offer to our clients."

In view of the highly competitive environment and the new restrictions in many markets, Tunis Re looks to maintain its position as a national reinsurer enjoying strong ties with the local market. It also aspires to continue as a recognised regional provider in the company's markets of interest.

"Preserving and growing our operations in Africa and the Middle East are our primary objectives. We look forward to achieving this goal and entrenching Tunis Re's position in the coming years," said Mrs Ben Mahmoud.