



www.ambest.com

PRESS RELEASE

OLDWICK, N.J. • MEXICO CITY • LONDON • AMSTERDAM • DUBAI • SINGAPORE • HONG KONG

FOR IMMEDIATE RELEASE

CONTACTS: Martina Seydoux
Financial Analyst
+44 20 7397 0308
martina.seydoux@ambest.com

Alex Rafferty, ACA
Associate Director, Analytics
+44 20 7397 0312
alex.rafferty@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Jim Peavy
Director, Communications
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

AM Best Revises Outlooks to Negative for Société Tunisienne de Réassurance

LONDON, 11 August 2021—AM Best has revised the outlooks to negative from stable and affirmed the Financial Strength Rating of B+ (Good) and the Long-Term Issuer Credit Rating of “bbb-” (Good) of Société Tunisienne de Réassurance (Tunis Re) (Tunisia).

The Credit Ratings (ratings) reflect Tunis Re’s balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

The revision of the outlooks to negative reflects the pressure on Tunis Re’s balance sheet strength assessment from the increasing country risk environment in Tunisia, notably linked to economic and political risks. Tunis Re has significant exposure to Tunisia, where the company held approximately 96% of its investments at year-end 2020. AM Best notes the company’s track record of operational resilience to country risk factors; however, faced with very high economic risk and recent political uncertainty, AM Best considers the associated risks to have increased.

Tunis Re’s balance sheet strength is underpinned by its risk-adjusted capitalisation at the strongest level at year-end 2020, as measured by Best’s Capital Adequacy Ratio (BCAR). AM Best expects the company’s risk-adjusted capitalisation to remain at the strongest level over the medium term, supported by good organic capital generation. Tunis Re’s balance sheet strength assessment also reflects a conservative investment portfolio by asset

—MORE—



www.ambest.com

PRESS RELEASE

OLDWICK, N.J. • MEXICO CITY • LONDON • AMSTERDAM • DUBAI • SINGAPORE • HONG KONG

—2—

class, despite the company's aforementioned invested asset concentration to Tunisia. The company has a high dependence on retrocession; however, the associated credit risk is mitigated partially through the usage of a retrocession panel of good financial strength.

Tunis Re has a track record of adequate operating performance, with a five-year (2016-2020) weighted average return on equity of 8%. Over this period, earnings have been driven by solid investment income, with the company generating a weighted average (2016-2020) combined ratio of 102% (as calculated by AM Best). Underwriting results also have experienced a level of volatility, with the combined ratio reaching 113% in 2018, before strengthening to 96% in 2020 (as calculated by AM Best). AM Best expects Tunis Re's prospective operating performance to be driven by investment income, supported by stabilising underwriting results.

Tunis Re's business profile assessment reflects its leading position in Tunisia, where it benefits from a market share of approximately 20% (measured by ceded premium), and its good diversification into regional markets, with premiums generated outside Tunisia accounting for 50% of the company's gross written premium (GWP) in 2020. Nevertheless, with GWP of less than USD 60 million in 2020, Tunis Re's operations remain of limited scale in the global reinsurance market, and its ability to grow its portfolio in a profitable manner may be hampered by competitive pressures domestically and abroad.

AM Best notes the recent actions taken to strengthen the company's corporate governance framework, which include increased representation of more independent board members and the separation of the board chairman and the CEO functions in 2020. AM Best views that ongoing developments to Tunis Re's ERM framework and the strengthening of risk management capabilities will be required in order to manage the company's evolving risk profile effectively.

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

—MORE—



www.ambest.com

PRESS RELEASE

OLDWICK, N.J. • MEXICO CITY • LONDON • AMSTERDAM • DUBAI • SINGAPORE • HONG KONG

—3—

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 Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).

AM Best is a global credit rating agency, news publisher and data analytics provider specialising in the insurance industry. Headquartered in the United States, the company does business in over 100 countries with regional offices in London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City. For more information, visit www.ambest.com.

Copyright © 2021 by A.M. Best Rating Services, Inc. and/or its affiliates. ALL RIGHTS RESERVED.

####