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AM Best Downgrades Credit Ratings of Société Tunisienne de Réassurance

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FOR IMMEDIATE RELEASE

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AM Best has downgraded the Financial Strength Rating (FSR) to B (Fair) from B+ (Good) and the Long-Term Issuer Credit Rating (Long-Term ICR) to “bb+” (Fair) from “bbb-” (Good) of Société Tunisienne de Réassurance (Tunis Re) (Tunisia). The outlook of the FSR has been revised to stable from negative, while the outlook of the Long-Term ICR is negative.

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 marginal enterprise risk management (ERM).

The rating downgrades reflect a revision of AM Best’s assessment of Tunis Re’s ERM to marginal, due to an increase in economic and political risk in Tunisia over recent months, and the adverse impact that this is having on the company’s risk profile. Tunis Re is domiciled in Tunisia and holds over 95% of its invested assets in the country, in line with regulatory requirements.

The negative outlook on the Long-Term ICR reflects ongoing country risk pressures, which could lead to a deterioration of the company’s balance sheet strength.

Tunis Re’s balance sheet strength assessment reflects risk-adjusted capitalisation at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR). Investment risk arising from the company’s assets held in Tunisia is expected to drive

an increase in capital consumption in the medium term. However, AM Best expects risk-adjusted capitalisation to remain resilient, with BCAR scores well in excess of the minimum required to support the strongest assessment. The company has a conservative investment portfolio by asset class, but its concentration in Tunisia weighs on asset quality.

Tunis Re has a track record of adequate operating performance, with a five-year (2016-2020) weighted average return on equity of 8% (as calculated by AM Best). Earnings have, however, been volatile over this period, driven by fluctuating technical results, with the combined ratio ranging between 95% and 113% (as calculated by AM Best). Preliminary financial information for 2021 indicates improvements in underwriting performance for the third consecutive year.

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. Premiums generated outside Tunisia have accounted for approximately 50% of the company's gross written premium (GWP) in recent years. Nevertheless, with GWP of less than USD 60 million in 2020, Tunis Re's operations remain of limited scale in the global reinsurance market.

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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