

Fitch Affirms Tunis Re's National IFS at 'AA(tun)'; Outlook Stable

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Fitch Ratings - Paris - 03 Feb 2023: Fitch Ratings has affirmed Societe Tunisienne de Reassurance's (**Tunis Re**) National Insurer Financial Strength (IFS) Rating at '**AA(tun)**'. The Outlook is **Stable**.

Tunis Re's National IFS is driven by its strong creditworthiness. The recent upgrade of Tunisia's Long-Term Foreign Currency Issuer Default Rating (IDR) to 'CCC+' from 'CCC' does not alter our view of Tunis Re's credit risk relative to local market peers.

KEY RATING DRIVERS

Leading Domestic Market Position: Tunis Re is Tunisia's leading reinsurer and has a growing international presence (53% of gross written premiums in 2021). Its strategic economic role in Tunisia is underpinned by its strong ties with its cedents, retrocessionaires, and the Tunisian state. Fitch's assessment of the company's business profile is constrained by a moderately diversified business mix and a limited potential for expansion into sound quality international business.

High Domestic Assets Risk: The company is highly exposed to systemic risk as most of its assets are domestic. The Fitch-calculated risky asset ratio was of 223% at end-2021. Most of Tunis Re's balance sheet is exposed to currency risk through its business operations that are increasingly skewed towards international markets, active use of international retrocession, and an unhedged currency mismatch between assets and liabilities.

Adequate Capital: Tunis Re's capitalisation, as measured by Fitch's Prism Factor-Based Capital Model (FBM), was 'Adequate' at end-2021, which supports the rating. Tunis Re's internal risk-based capital model, which is consistent with Solvency II standards and was reviewed by an independent international auditor, had a comfortable solvency margin at end-2021.

Strong Profitability: Fitch believes Tunis Re's earnings are strong for the rating, supported by a sound technical profitability. Tunis Re reported a broadly stable 2022 net loss ratio (defined as the ratio of net loss expense to net earned premium) when compared with 2021 despite the impact of inflation and exchange rate effects due to the rise of the dollar. Its combined ratio reached 92.5% in 2021 and averaged 96.3% over 2021-2019. We expect Tunis Re's solid underwriting expertise, sound risk management and effective retrocession to be supportive of earnings.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Material improvements in Tunis Re's business risk profile, which could result from an increasing share of good-quality business in higher rated countries than Tunisia.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Material deterioration in the company's business risk profile, which could result from increasing business presence in high-risk markets.
- Evidence of significant deterioration in the company's retrocession policy and programme.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
<input type="text"/>	<input type="text"/>	<input type="text"/>
Societe Tunisienne de Reassurance	Natl Ins Fin Str AA(tun) ● Affirmed	AA(tun) ●
PREVIOUS	Page <input type="text" value="1"/> of 1	NEXT

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

- [Insurance Rating Criteria \(pub. 15 Jul 2022\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Societe Tunisienne de Reassurance -

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