

TUNISIA:

Insurance Market Overview

Tunisia is the smallest country in North Africa with an area of 163,610 sq km and is also the northernmost country in Africa. It borders Algeria to the west, Libya to the south and east, and the Mediterranean Sea to the north. With over 1000 km of coastline, it has a strong tradition of commerce and openness to the wider Mediterranean region. The country also holds a strategic position as a bridge between Europe and Africa, with this location influencing the development of the country's supply chain and trade links.

From early antiquity, Tunisia was inhabited by the indigenous Berbers. Phoenicians began to arrive in the 12th century BC, establishing several settlements, of which Carthage emerged as the most powerful by the 7th century BC. A major mercantile empire and a military rival of the Roman Republic, Carthage was defeated by the Romans in 146 BC, who occupied Tunisia for most of the next 800 years.



After several attempts starting in 647, Muslims conquered all of Tunisia by 697, bringing Islam and Arab culture to the local inhabitants. The Ottoman Empire established control in 1574 and held sway for over 300 years, until the French conquered Tunisia in 1881. Tunisia gained independence under the leadership of Habib Bourguiba, who declared the Tunisian Republic in 1957. Today, Tunisia is the smallest nation in North Africa, and its culture and identity are rooted in this centuries-long intersection of different cultures and ethnicities.

While the country's transition has been remarkably successful, the effects of the revolution (the 2011 Jasmine Revolution) are still being experienced today as Tunisia seeks to adapt itself to the challenges of multiparty politics and overcome economic hurdles. However, a host of structural reforms is being implemented and improved performance in some of the country's key sectors are helping to bring some relief to the economy. Meanwhile, there continues to be a push for further public sector reforms and reduction of the budget deficit.

Global Position & Penetration

Swiss Re Sigma's "World Insurance in 2020" report ranked Tunisia as the 84th-biggest in the world based on total premiums of \$830m. The firm put penetration – measured as a ratio of premiums to GDP – at 2.15%. Per capita premiums were worth \$71 behind Morocco (on \$127) but ahead of Algeria and Egypt (at \$29 and \$19, respectively)

Tunisia Economy Data

	2015	2016	2017	2018	2019
Population (million)	11.3	11.4	11.5	11.7	11.8
GDP per capita (USD)	3,829	3,669	3,466	3,421	3,297
GDP (USD bn)	43.2	41.8	40	39.9	38.9
Economic Growth (GDP, annual variation in %)	1.2	1.1	2	2.7	1
Consumption (annual variation in %)	3.2	3.1	2.4	2.1	-
Investment (annual variation in %)	-0.5	1.1	0.3	2	-
Industrial Production (annual variation in %)	-2.4	-0.5	-1.1	-0.6	-3.2
Unemployment Rate	15.2	15.5	15.4	15.5	15.2
Fiscal Balance (% of GDP)	-4.8	-6.1	-6.1	-4.8	-3.5
Public Debt (% of GDP)	55.4	62.4	70.2	77.9	72.2
Money (annual variation in %)	8.4	8	16.9	3.6	6
Inflation Rate (CPI, annual variation in %, eop)	3.8	4.2	6.2	7.5	6.1
Inflation Rate (CPI, annual variation in %)	4.8	3.6	5.3	7.3	6.7
Policy Interest Rate (%)	4.25	4.25	5	6.75	7.75
Exchange Rate (vs USD)	2.04	2.3	2.46	2.99	2.79
Exchange Rate (vs USD, aop)	1.96	2.15	2.41	2.64	2.93
Current Account (% of GDP)	-9	-8.6	-10.3	-11.2	-9
Current Account Balance (USD bn)	-3.9	-3.6	-4.1	-4.5	-3.5
Trade Balance (USD billion)	-5	-4.8	-5.3	-6	-5.4
Exports (USD billion)	14.1	13.6	14.3	15.5	15
Imports (USD billion)	19.1	18.4	19.6	21.5	20.4
Exports (annual variation in %)	-15.8	-3.5	5.2	8.6	-3.5
Imports (annual variation in %)	-18.3	-3.8	6.8	9.5	-5
International Reserves (USD)	7.4	6	5.7	5.2	7.4
External Debt (% of GDP)	63.1	67.8	83.7	86.9	-

Country Risk

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Tunisia is a CRT-5 country with high levels of political and financial system risk and a very high level of economic risk.
- GDP grew 1.0% in 2019 and is projected to contract by 4.3% in 2020. The recession is being driven by the economic impact of COVID-19.
- Inflation rates will range in the 5.0%-7.0% range over the medium term. *Source: A.M Best – Aug 2020*



Natural Catastrophes:

- Tunisia has a typically Mediterranean climate in the north and along the eastern coast. The Atlas Mountains cross the north of the country and in the central region the vast olive groves of the Sahel give way to the eastern steppe. In the south, an arid landscape of salt lakes interspersed with occasional oases adjoins the Sahara desert.
- Tunisia is on an earthquake belt but the risk is considered small. Floods occur regularly and can occasionally cause damage.
- Although flash floods may be responsible for loss of life, the risk of flood damage is low. The areas in the north, which might be affected by run-off from the mountainous parts of the country, are mainly agricultural land and any losses are normally uninsured. In the main cities, although the infrastructure has improved, there is still some risk of insured losses.

Governance, Risk and Compliance

➤ The legal system:

The legal system of Tunisia is based on French civil law system and Islamic law.

➤ Insurance Supervisory Authority:

In 2008 the regulator, the General Insurance Committee (Comite General des Assurances - CGA) , which had previously been a department of the Ministry of Finance, became financially autonomous and a legally separate entity. Partly funded by an annual levy on insurers and reinsurers, the regulator authorises and supervises insurers, and issues and revokes the licences of intermediaries. It also has powers to set fines and sanctions.



www.cga.gov.tn

➤ Professional body

The Tunisian Federation of Insurance Companies (FTUSA)



www.ftusanet.org

➤ The compulsory classes

- Marine cargo imports valued at TND 3,000 (USD 1,173) or more.
- Decennial cover for construction risks.
- Professional liability for estate agents, tourist campsites, suppliers of lifts, private hospitals, care homes for the elderly, blood dialysis units, liquidators, lawyers and other legal representatives, waste transporters, port operators and registered professional maritime operators.
- Fire and public and professional liability for discotheques, nightclubs and cabarets.
- Fire insurance for industrial, commercial and hotel risks.
- Workers' compensation (state scheme).
- Pollution insurance for oil and gas companies.
- Shipowners' liability for marine oil pollution (financial guarantee or insurance).
- Clinical trials liability

➤ Types of Insurance Organization:

Insurance companies must be registered in Tunisia in the form of joint stock companies, mutual companies or mutual agricultural funds. Cross-ownership of banks and insurance companies is permitted under Law 2002-37 of 1 April 2002.

➤ **Foreign Ownership:**

- Article 4 of Law 2008-8 of 13 February 2008 modified the rules on control of insurance companies in Article 54 of the Insurance Code and replaced the previous ban on foreign shareholdings of 50% or more.
- The regulator's approval is henceforth required for any share purchase giving effective control or any acquisition taking a shareholding beyond specified percentage thresholds: 10%, 20%, 33%, 50% or 67%.
- It is possible for foreign companies or branch offices to operate under the provisions of Tunisia's offshore banking and insurance regulations, the main provision of which is that they must conduct business with non-residents or fellow offshore-registered customers in foreign currency.

➤ **Types of Licence:**

- Composite licences for life and non-life business have been allowed in the past. Licences are issued on a blanket basis. Separate authorization is required to write inwards reinsurance, which is considered as an individual branch.
- PA and healthcare are classed as non-life business.

➤ **Capital Requirements:**

The minimum capital required for an insurance company is prescribed by the Insurance Code. The requirements are as follows: joint stock companies: TND 10mn (USD 3.91mn), joint stock companies transacting only one category of insurance: TND 3mn (USD 1.17mn) and mutual companies TND 1.5mn (USD 586,625)

➤ **Statutory Tariffs:**

- The only compulsory tariff is for motor third party liability and is set by the Ministry of Finance.
- A sharing arrangement for motorcycle risks was established by "gentlemen's agreement" in early 2006 under the auspices of the Insurance Association (Federation Tunisienne des Societies d'Assurances/FTUSA). The part of the agreement relative to motorcycle risks is still in force.
- Decennial insurance is written in a pool managed by Tunis Re in respect of which premium rates are fixed by the latter.

➤ **Non-admitted insurance:**

Non-admitted insurance is not permitted because the law provides that insurance must be purchased from local authorized insurers with some exceptions

➤ **Fronting:**

- There are no specific restrictions on fronting in Tunisia. A nominal retention of, say, 5% might be considered but is not essential. The placement of reinsurance is not restricted, and approval of security by the regulator is not required.
- Local insurance companies are prepared to front for global programs. Usually a local wording is used with the difference in conditions covered by the global program. Fronting commission is negotiated separately in each case but is usually around 5%

➤ **Intermediaries:**

Intermediaries (brokers or agents) have to be authorized to do insurance business. Locally licensed intermediaries are not allowed to place business with non-admitted insurers.

➤ **Insurance Premium Tax:**

Life insurance products are exempted from Insurance Premium Tax (IPT). For non-life insurance products, IPT varies from 5% to 10%.

➤ **Reinsurance Business:**

- Tunis Re, is the country's sole reinsurer. It has continued to expand its activities across international markets. Unlike other insurance markets in the region, Tunisian insurers are not obligated by law to cede a percentage of their premium to the national reinsurer. This has prompted competition between several international reinsurers for Tunisian insurance premium.
- Several offshore companies transacting reinsurance are registered, but their figures are not reported in Tunisian market statistics.
- Tunis Re now receives business on a voluntary basis from all direct companies in the market, which over recent years has varied between 20% and 30% of market premiums ceded.
- Apart from the state reinsurance company, Tunis Re, several insurance companies also write a small amount of inwards reinsurance.
- International reinsurance is accepted by Tunis Re and by the offshore companies. It is written to only a very limited extent by direct insurers.
- CICA-Re, the regional reinsurer for francophone Africa opened a branch in Tunis in March 2018.

Insurance Market Performance & Statistics

Structure of the Tunisian insurance market in 2019

INSURANCE AND REINSURANCE COMPANIES

Composite companies	15
Life companies	5
Specialized company	1
Reinsurer	1
Off-shore companies	8
Total	30

INTERMEDIARIES

Insurance agents	1 049
Brokers	63
Life insurance producers	98
Total	1 210

Tunisian insurance market in 2019

EVOLUTION OF PREMIUMS PER CLASS OF BUSINESS

in millions USD

Class of business	2015	2016	2017	2018	2019
Non-life	677.3	634.5	663.6	579.5	662.1
Life	148.7	160.5	178.4	168.6	199.6
Total	826	795	842	748.1	861.7

RANKING OF INSURERS IN 2019

Figures in thousands

Companies	Turnover 2019		Turnover 2018		2018-2019	2019
	TND	USD	TND	USD	evolution ⁽¹⁾	shares
STAR	374867	133805	358733	119185	4.50%	15.53%
COMAR	212156	75727	208100	69139	1.95%	8.79%
GAT	170999	61036	174600	58009	-2.06%	7.08%
MAGHREBIA	169758	60593	159500	52992	6.43%	7.03%
ASTREE	168279	60065	155246	51579	8.40%	6.97%
AMI ⁽²⁾	161183	57533	168400	55949	-4.29%	6.68%
CARTE	127273	45429	104985	34880	21.23%	5.27%
ASSURANCES BIAT	121799	43475	125500	41696	-2.95%	5.05%
MAE	120642	43062	108110	35918	11.59%	5.00%
BH ASSURANCE	116707	41657	102087	33917	14.32%	4.83%
LLOYD TUNISIEN	108488	38724	93340	31011	16.23%	4.49%
CTAMA ⁽²⁾	103846	37067	89300	29669	16.29%	4.30%
ATTIJARI ASSURANCE	87006	31056	86455	28724	0.64%	3.60%
MAGHREBIA VIE	66144	23609	58490	19433	13.09%	2.74%
GAT VIE	61834	22071	41758	13874	48.08%	2.56%
ZITOUNA TAKAFUL	60563	21617	52481	17436	15.40%	2.51%
CARTE VIE	58600	20917	53159	17662	10.24%	2.43%
ASSURANCES HAYETT	50691	18094	44321	14725	14.37%	2.10%
EL AMANA TAKAFUL	31248	11154	29473	9792	6.02%	1.29%
ATTAKAFULIA ⁽²⁾	26463	9446	22679	7535	16.69%	1.10%
COTUNACE	15782	5633	15129	5026	4.32%	0.65%
Total Market	2414328	861770	2251846	748153	7.22%	100%

⁽¹⁾ Evolution in local currency

⁽²⁾ Provisional data

Source: 2019 Annual Report, General Insurance Committee (CGA)

Exchange rate as at 31/12/2018 : TND= 0.33224 USD | as at 31/12/2019 : TND= 0.35694 USD

- The Tunisian insurance market closed the 2019 financial year with a turnover of 2.39 billion TND (853.08 million USD), an increase of 6.1% in comparison with the 2.252 billion TND (748.2 million USD) recorded in 2018.
- Non-life insurance premiums improved by 4.9% to 1.83 billion TND (653.2 million USD), that is 76.5% of the total turnover. With a 23.5% market share, life insurance generated 560.8 million TND (200.171 million USD) in written premiums, thus recording a 10.5% growth compared to 2018.
- STAR maintains its leading position with a market share of 15.7%. It is followed by COMAR which accounts for 8.9% of the total premiums. Four companies are competing for the 3rd position namely GAT Assurances, Maghrebria, AMI Assurances and ASTREE with market shares ranging between 7% and 7.2% each.
- The incurred losses rose by 4.8% to reach 1.507 billion TND (537.91 million USD) in 2019. The market's combined ratio (before reinsurance) stood at 95.9%, thus falling below 100% against 100.2% in 2018. As for

investments, they reached 6.1 billion TND (2.177 billion USD) compared to 5.437 billion TND (1.806 billion USD) in 2018.

- In Tunisia, only four insurance companies out of a total of 22 operating on the market are listed on the stock exchange. In September 2020, Assurances Maghrebias obtained the agreement in principle of the Board of Directors of the Tunis Stock Exchange (BVMT) to make its IPO.
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Tunisian insurance market in 2020

- According to the General Insurance Committee (CGA), Insurance sales dropped 5.9% in 2020 in comparison with 2019, statistics released by the National Insurance Council show. The number of insurance contracts fell from 3. 176, 044 million to 2. 989, 300 million.
- Total life insurance sales dropped 7.9% by late 2020, reaching 593,013 contracts against 643,546 in 2019.
- Life insurance turnover grew 7% to stand at 598.5 million dinars compared to 559.3 million dinars in 2019.
- The indemnifications paid by insurance companies posted a 9.7% decline, reaching 1.281 billion dinars in 2020 against 1.419 billion in 2019.
- The sector's turnover rose 5.5% in 2020 to 2.548 billion dinars against 2.414 billion dinars in 2019.
- Non-life insurance revenues hit 1.949,5 billion dinars in 2020 compared to 1.855 billion dinars in 2019, that is a 5,1% rise.
- The car insurance segment reported a 2.6% rise in its turnover in 2020 with 1.095,5 billion dinars against 1.068,1 billion dinars in 2019.
- Fire insurance revenues jumped 53%, rising to 206.4 million dinars in 2020 from 135 million dinars in 2019. Meanwhile, transport insurance premiums declined 10.7%.

Tunis Re: results as of 31 December 2020



- As of 31 December 2020, Tunis Re posted a 4.5% turnover decrease. The latter dropped from 162.135 million TND (57.8 million USD) on 31 December 2019 to 154.773 million TND (57.1 million USD) one year later.
- During the period under review, non-life premiums amounted to 131.194 million TND (48.4 million USD), a decline of 2.3% compared to 2019.
- The life activity achieved a turnover of 7.151 million TND (2.6 million USD) in 2020 against 9.203 million TND (3.03 million USD) in 2019: a decrease of 22.3% over one year.
- The Retakaful activity decreased by 11.8% and was set at 16.428 million TND (6.06 million USD).
- The net incurred losses of retrocession improved by 11.8% from 54.834 million TND (19.5 million USD) in 2019 to 48.361 million TND (17.8 million USD) by late 2020.
- At 31 December 2020, the financial products decreased by 1.4% to be established at 24.057 million TND (8.8 million USD).
- Tunis Re recorded a net technical result* increasing by 26% from 9.180 million TND (3.277 million USD) in 2019 to 11.583 million TND (4.274 million USD) in 2020.

➤ Tunis Re Rating

- [Fitch Ratings](#) has confirmed the "AA (tun)" financial strength rating of the Tunisian Reinsurance Company (Tunis Re). The outlook remains stable.
- According to the rating agency, the Tunisian reinsurer's profits for the period 2015-2019 are solid. The combined ratio over five years is slightly below 100% and the return on equity (ROE) is 8%.
- The rating also reflects the performance of Tunis Re's risk management system.

Tunisian Insurance Market: Key View & SWOT Analysis

Both the life and non-life sectors are expanding, the former with some strong annual increases from a particularly low base in recent years, despite security challenges. We believe that moderately firm growth will continue over the coming years, with the life sector expanding in local currency terms at a rate of 5.4% on average per annum and the non-life segment growing by an average of 6.5% average per year over our medium-term forecast period. A relatively competitive and accessible operating environment should create opportunities for investors and new entrants in both the life and non-life markets, with merger and acquisition activity on the cards if our moderately bullish market growth expectations are borne out.

Headline Insurance Forecasts (Tunisia 2021-2025)					
Indicator	2021f	2022f	2023f	2024f	2025f
Gross life premiums written, TNDmn	557.0	590.0	623.5	659.2	688.2
Gross life premiums written, TND, % y-o-y	5.4	5.9	5.7	5.7	4.4
Gross life premiums written, USDmn	161.4	163.9	164.1	166.9	172.0
Gross life premiums written, USD, % y-o-y	-0.7	1.5	0.1	1.7	3.1
Gross non-life premiums written, TNDmn	1,982.2	2,140.9	2,261.1	2,397.5	2,535.4
Gross non-life premiums written, TND, % y-o-y	7.1	8.0	5.6	6.0	5.7
Gross non-life premiums written, USDmn	574.6	594.7	595.0	607.0	633.8
Gross non-life premiums written, USD, % y-o-y	0.9	3.5	0.1	2.0	4.4

e/f = Fitch Solutions estimate/forecast. Source: FTUSA, Fitch Solutions

Key Updates And Forecasts

We expect that life insurance premiums will rise by 5.4% in local currency terms in 2021 to TND557mn, averaging annual growth of 5.4% over the next five years to reach TND688.2mn in 2025. In US dollar terms, we expect premiums to increase in 2021 at USD161.4mn and we forecast that premiums will increase at an average rate of 1.6% per annum thereafter over the full forecast period up to and including 2025 to reach a level of USD172mn. Over our medium-term forecast period, we predict that non-life premiums will rise by an annual average of 6.5% in local currency terms. In US dollar terms we forecast that premiums will vary between contracting and growing in the next few years before picking, taking the respective premiums in 2025 to TND2.54bn and USD633.8mn. The already dominant motor segment will remain the key driver of growth in Tunisia's non-life market over the next five years, rising by 8.4% in local currency terms in 2021 to TND1.11bn and averaging annual growth of 7.6% through to 2025 when we foresee premiums reaching TND1.48bn.

SWOT Analysis

Strengths	There is high demand for motor insurance, which is a well-developed line. Tunisia's insurance market has been fairly welcoming of overseas companies and investors. The market is competitive, with few outright leaders, creating substantial opportunities for investment and mergers and acquisitions. The major Tunisian insurers are publicly listed, allowing investors access via the stock market.
Weaknesses	The sector is still underdeveloped by most metrics, such as penetration and density. Understanding of insurance is limited due to cultural barriers. Property claims have been volatile. The regulatory and legal framework to support the insurance market is underdeveloped, outside the motor segment.
Opportunities	Improving GDP growth will drive demand for a range of lines. Increasing rates of disposable income will drive demand for life insurance over the long term. Limited penetration of the life insurance market leaves opportunity for growth.
Threats	The volatile political, security and economic environment could undermine demand for insurance products. Even if Tunisia remains stable, the insurance market remains exposed to political risk from neighbouring states such as Libya and Algeria. The lack of understanding of life insurance will probably persist.

Source: Business Monitor Online - February 22, 2021 Monday

