



## RATING ACTION COMMENTARY

### **Fitch Affirms Tunis Re's National IFS Rating at 'AA(tun)'/Stable**

Fri 13 Jun, 2025 - 07:56 ET

Fitch Ratings - Paris - 13 Jun 2025: Fitch Ratings has affirmed Societe Tunisienne de Reassurance's (Tunis Re) National Insurer Financial Strength (National IFS) Rating at 'AA(tun)'. The Outlook is Stable.

Tunis Re's National IFS Rating is driven by its strong creditworthiness versus its local peers', benefiting from its leading domestic market position and its extensive international presence in higher-rated countries than Tunisia.

#### **KEY RATING DRIVERS**

**Leading Domestic Market Position:** Tunis Re is the leading reinsurer in Tunisia, with strong domestic expertise and a large, developing international presence, accounting for 60% of gross written premiums (GWP) in 2024. Its importance to Tunisia's economy is supported by strong ties with all Tunisian cedents, the largest of which are also its shareholders. Fitch's assessment of the company's business profile is constrained by Tunis Re's limited operating scale and modest potential for further expansion into overseas business in higher-rated countries.

**Adequate Capital:** Tunis Re scored 'Adequate' under our Prism Global model in 2024, driven by its large capital base and low net exposure to catastrophe risk, which is offset by high asset risk. The reinsurer's internal risk-based capital model, consistent with Solvency II (S2) standards and reviewed by an independent international auditor, showed a comfortable solvency margin at end-2024.

**Strong Profitability:** Fitch believes Tunis Re's earnings are strong for its rating, underpinned by solid underwriting performance. It reported a robust net combined ratio of 95.9% in 2024 (2023: 92.7%) despite wider losses from the April 2024 flood in Dubai. This resulted in the company's Fitch-calculated gross loss ratio remaining high at 64%. Tunis Re's

conservative reinsurance practices helped contain the net impact, despite higher natural-catastrophe retention versus 2023. The Fitch-calculated return on equity (ROE) was 8.5% in 2024 (2023: 7.7%).

We expect Tunis Re's profitability to remain strong due to its solid underwriting expertise and high retrocession standards, which mitigate earnings volatility resulting from FX movements or adverse international claims experiences.

**High Domestic Assets Risk:** Fitch views Tunis Re's investment portfolio as high risk due to large asset concentration in Tunisia, primarily in monetary and fixed-income investments. Fitch believes Tunis Re's balance sheet is more exposed to currency risk than its local peers' due to an unhedged currency mismatch between assets and liabilities from its extensive and developing international expansion. Currency risk is mitigated by the use of international retrocession programmes.

**Effective Retrocession:** The company's retrocession practices are effective and positive for the rating. It has developed strong business ties with highly rated international reinsurers. In 2024, its retention rate continued to increase as the company shifted its activity towards the less volatile treaty business. Its entire portfolio is subject to an excess-of-loss policy, while exposure to catastrophe risk remains largely retroceded. However, the company remains vulnerable to higher retrocession costs.

## **RATING SENSITIVITIES**

### **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 higher-risk markets
- A large deterioration in the company's retrocession policy and programme
- Sharp deterioration in earnings resulting from reserve deficiencies, investment losses, and weak underwriting discipline over a prolonged period

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Material improvements in Tunis Re's asset and business risk profile, which could result from a reduction in asset concentration on Tunisia and an increasing share of good-quality business outside Tunisia

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
Societe Tunisienne de Reassurance	Natl LT IFS	AA(tun)	Affirmed	AA(tun)

VIEW ADDITIONAL RATING DETAILS

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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APPLICABLE CRITERIA

- [Insurance Rating Criteria \(pub. 04 Mar 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

- Prism Global (ex-U.S.) Model, v1.8.1 ([1](#))

ADDITIONAL DISCLOSURES

- [Solicitation Status](#)
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## **ENDORSEMENT STATUS**

Societe Tunisienne de Reassurance -

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