



IIRA maintains Shari'ah Compliance and Fiduciary Rating of "SCFR (ksa) 1" on the National Scale and SCFR (Global) at 'High' for Al Rajhi Takaful (ART)

Manama: March 9, 2023 - The Islamic International Rating Agency (IIRA) has maintained the Shari'ah Compliance and Fiduciary Rating of Al Rajhi Takaful at "SCFR (ksa) 1" on the national scale, signifying no adverse material deviations from the national regulatory framework and/or sector norms, and "SCFR (Global) High" on the global scale, signifying high level of conformance to global standards in terms of fulfilling fiduciary obligations of Shari'ah compliant Finance.

Al Rajhi Takaful is a Saudi Joint Stock Company ("JSC") based in the Kingdom of Saudi Arabia (KSA), and is majority-owned by Al Rajhi Group (26.5% by Al Rajhi Takaful - Bahrain and 35% by Al Rajhi Bank). The Company's primary business comprises general, motor, medical, protection & savings, marine, fire, engineering, and casualty insurance. Total gross contribution increased by 1% in 2021. However, overall underwriting costs and expenses grew by 8.7%, resulting in a considerable drop in net surplus to SAR10.1mn (2020: SAR26.2mn). This was attributable to industry wide escalation of claims and cost base, while Al Rajhi's focus on best practices, remains evident.

Under the cooperative insurance concept, the Saudi Central Bank supervises and regulates the insurance sector. While regulation is supportive of Shari'ah compliance; specific guidance regarding institution of a Shari'a related control mechanism, including the setting up of a Shari'a Supervisory Committee, incorporating a consideration for Shari'a risks in management policies as outlined by global standard-setting bodies and issuing a Shari'a compliance report annually, has been announced through a regulatory directive issued by the Capital Market Authority in June 2022. Guidance therein is to become effective July 1, 2023 and will likely uplift the Shari'a governance framework in the domestic market across a range of industries.

The takaful model instituted by the Company and the principle underlying policyholders' contributions are in line with accepted principles of Takaful. The deployment of investable assets is also in accordance with Shari'ah. While re-takaful arrangements have largely been made with re-takaful windows of international re-insurers, certain arrangements have been executed with conventional reinsurers, with the consent of the Shari'ah Committee on the basis of need. Insurance surplus is not exclusively distributed to policyholders. The shareholders obtain a share of the surplus as performance fee and as incentive for good performance. Viewed in the context of the regulatory framework, the mechanism is approved by the Shari'ah Committee. IIRA has noted the efforts of the management in instituting the concept of surplus sharing with policyholders through active engagement with regulatory authorities.



Al Rajhi Takaful Company has instituted an independent Shari'ah committee, as a voluntary undertaking, before the issuance of latest directives in this regard. The high degree of the Committee's involvement in the Company's operations depicts its commitment to abiding by Islamic Shari'ah in all aspects of operations. Besides, adequate Shari'ah internal control systems have been laid out to effectively assist in the implementation of Shari'ah Committee's decisions, expected to be strengthened further with enhanced regulatory commitment as evident in recent periods.

The Company's corporate governance broadly aligns with regulatory requirements, with independent representation, and a well-articulated internal control framework. While policyholders' participation at the Board-level cannot be effected under local regulations, an independent governance oversight committee may be instituted, in line with best practices, which may play an essential role in protecting policyholder interests without requiring to enable representation of policyholders, on such committees.

As a listed company, ART displays material information adequately for the stakeholders in the public domain. The Company adheres to the code of business conduct in dealing with Takaful operations. Al Rajhi Takaful is committed to Corporate Social Responsibility (CSR) initiatives with plans to provide life cover to participants in social welfare related projects like those engaged in the memorization of Quran, without any requirement of contribution from beneficiaries: disclosures may be enhanced in this regard.

Scope of the Rating

This rating is an independent assessment & opinion on the Shari'ah Governance & Compliance framework as implemented by the Al Rajhi Takaful Company. The rating encapsulates areas of coverage laid out in Governance Standard for Islamic Financial Institutions 10 (GSIFI 10), developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Besides Shari'ah standards issued by AAOIFI, prudential standards published by the Islamic Financial Services Board (IFSB) for Islamic insurance (Takaful) have been taken as a reference. The national scale rating does not account for deviations from global standards that are not enabled in the jurisdiction of domicile, whereas the Global scale allows for comparison on a worldwide basis.

For further information on this rating announcement, please contact us via e-mail at iira@iirating.com.