



IIRA Maintains Takaful Financial Strength Rating of the Islamic Insurance Company while Uplifting the Outlook to Positive

Manama, December 12, 2023—The Islamic International Rating Agency ('IIRA') has reaffirmed the Takaful Financial Strength (TFS) rating of The Islamic Insurance Company PLC ('TIIC' or 'the Company'), Jordan, at 'A' (Single A). Meanwhile the outlook on the ratings has been uplifted to 'Positive' from 'Stable' to reflect the solvency ratio standing almost at twice the regulatory thresholds despite strong volume growth during 2022 and so far in 2023, improving profitability during the year 2023, and notable improvements in governance related practices, over the last few years. In addition, the gradual trend towards family takaful business is deemed positive for future profitability, given its relatively lower claims incidence. The capital increase expected on a sector wide basis as per regulatory directives, though modest, will support sector health and competitiveness.

The Company operates with a branch network of three currently and held a market share of 7.2% (Dec'21: 6.6%) and 3.8% (Dec'21: 3.4%) in life (family takaful) and general insurance (takaful) sectors respectively. Cumulatively, gross contributions underwritten by TIIC, denoted 4.4% of the aggregate contributions underwritten in the domestic market as of YE2022 (2021: 4.0%). Total gross premiums of the Company have grown by 23.9% during 2022 mainly given the superior growth performance of motor and family takaful business. On the other hand, the proportion of medical premiums in total business declined with the Company remaining conservative, in view of aggressive price competition in this segment. In the 9M'23 period, premium growth slowed to 9.0%. Over time, a shift towards family takaful business has been noted, with its share reaching 34.7% as of Sep'23, up from 24% in 2020, and considered supportive of profitability prospects.

The combined ratio has deteriorated to 95.8% from 89% despite an improvement of 1.1pps for the expense ratio, as the claims ratio has depicted significant increase to 67.7% from 59.9% reflective of both the higher share of two typically high claim segments - motor and medical - and increase in the claims ratios in these segments. During 9m'23 period, underwriting profitability improved with notable decline in the combined ratio, as the proportion of loss making MTPL premiums in total business retreated and the Company focused on improving claims performance with stringent monitoring.

TIIC maintains strong capital buffers vis-a-vis regulatory requirements. Solvency ratio improved further to 299% as of September 2023 (2022: 278%). These indicators have stood well above the regulatory threshold of 150%. As per the minimum capital instructions of the CBJ, the Company is expected to increase its paid-up capital to at least JD16mn from the current JD15mn which may have modest positive impact on solvency. On the other hand, coverage of technical reserves by liquid assets stood at 224%, also reflective of sound liquidity buffers.



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The overall fiduciary score has remained in the range of '76-80', reflecting strong protection of the rights of various stakeholders. Adequate independent representation at Board level, with 4 out of 11 Board members being independent, also reflects onto the composition of the Board committees. The Company has revised its Governance Manual as per the most recent regulatory directives in early 2023, and which now conforms with regulatory directives. Key changes include the establishment of a new Board level committee - the Board Investment Committee, update of Risk Management Policy and Risk Management Methodology and development of policies & procedures on the risk management front. Shari'a Governance infrastructure remained broadly stable and derives strength from both the Shari'a Supervisory Board and Board Shari'a Control Committee responsible for devising and implementing Shari'a control measures and reviewing violations if any. TIIC has supported initiatives, aimed at furthering the concept of Islamic insurance, through participation in local and international seminars and conferences. The company has also taken positive steps to rationalize paper conservation, with the broader aim of environmental preservation.

For further information on this rating announcement, please contact IIRA at iira@iirating.com.

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