



IIRA Reaffirmed the Takaful Financial Strength Rating of AlBaraka Insurance Company

Manama, March 27, 2019 – Islamic International Rating Agency (IIRA) has reaffirmed the Takaful Financial Strength (TFS) rating of AlBaraka Insurance Company PLC ('ABIC' or 'the company'), Sudan, at 'BBB' (Triple B). Outlook on the assigned rating has been revised from 'Negative' to 'Stable'. The fiduciary score has been assessed in the range of '61-65', reflecting adequate fiduciary standards.

Surging inflation and sharp depreciation dominate the economic risk profile of Sudan with implications on insurable risks. Low levels of economic activity, relatively subdued per capita income and cultural reasons have led to modest levels of insurance penetration.

ABIC is the second oldest takaful operator in Sudan and derives business synergies from its largest shareholder, AlBaraka Bank Sudan (ABBS), which is part of the AlBaraka Banking Group (ABG). Although there is no explicit commitment, business and management support from the parent is implied. ABIC's operations have rapidly grown over the past few years due to branch expansion, and regulatory guidelines, with respect to certain insurance segments. Its market share in total contributions grew to 5.9% in 2018 from 5.2% in 2016.

The company's liquidity metrics showcased gradual improvement as liquid assets coverage to technical reserves and retained contributions, increased. We note that ABIC's liquidity indicators compare favorably to sector averages. Financial and technical leverage ratios retreated vis-à-vis 2016, yet these are still quite high and point to stressed capitalization levels.

Albeit displaying slight uptick in 2017 due mainly to the motor segment, ABIC's claims ratio has been relatively low in the last two years while PHF's surplus has been on an uptrend. ABIC's improving profitability is partly due to management's focus on more profitable and less risky segments/customers such as commercial vehicles within motor segment and medical takaful.

Shari'a governance derives strength from the fact that the entire financial system operates on the basis of Shari'a principles. Improvements in the composition of board and board level committees, risk management framework and transparency, would favorably impact IIRA's assessment of Governance.

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