



IIRA Assigns Takaful Financial Strength Rating to Shiekan Insurance & Reinsurance Company

Manama, April 10, 2019 – The Islamic International Rating Agency (IIRA) has assigned Takaful Financial Strength (TFS) rating at ‘BBB+’ (Triple B Plus) to Shiekan Insurance & Reinsurance Company (‘SIRC’ or ‘the Company’), Sudan. Outlook on the assigned rating is ‘Stable’

SIRC is Sudan’s largest and leading insurer. Established in 1983, the government-owned insurance company has the exclusive privilege to insure all public sector assets. The Company offers a broad range of insurance policies, including motor, property, engineering, marine, aviation, agriculture, and miscellaneous in addition to group medical, Family, and Life, on the basis of a co-operative model. SIRC held the largest market share of 32.2%, as of end-2017

Heightened inflation, continued twin deficits and uncertainty over debt relief dominate the politico-economic risk profile of the Country with implications on insurable risks. Moreover, challenges in the form of low levels of disposable income, rising living costs and lack of awareness are expected to dominate the industry’s growth prospects, despite the lifting of economic sanctions.

The Company’s portfolio has continued to grow over time with gross written premiums’ growth surpassing its three-year average (2014-2016) in 2017 and buoyed by contributions from Motor insurance, one of SIRC’s most profitable lines of business. Combined with measured growth in claims and acquisition costs, this has translated into surplus in policyholders’ fund during the years under review (from 2013 to 2017).

SIRC’s liquidity risk management warrants reinforcement given the high levels of insurance receivables, low operating cash flows and increasing provisions from year to year. While the company has taken positive steps in this regard, material impact of such measures is yet to be seen. Furthermore, the Company’s present level of capitalization is low vis-à-vis business levels, offering limited capacity to absorb shocks, in case such support from reserves is needed.

The Company’s overall fiduciary score has been assessed in the range of ‘71-75’, reflecting adequate protection of the rights of various stakeholders with room for improvement in governance practices. The Shari’a governance framework is sound and benefits from the market dynamics, wherein the entire financial system operates on the basis of Islamic Shari’a principles.

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