

Report Date: 03-Apr-25

The Islamic Insurance

ASE: TIIC

End of Day Share Price: 1/4/2025

Earnings: 31/12/2024

Price as of 01-Apr-25

JD 1.76/Share

RATING:



Initiated Coverage 29/02/2024

We advise buying TIIC, as the stock offers attractive growth potential and consistent returns, making it appealing on a risk-adjusted return basis despite current valuations. This assessment is grounded in our analysis of four critical factors influencing common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

Target Price

JD 1.90

Previous Rating	52- Week Price Range	Market Capitalization	Dividend Yield	Last Dividend
1 2 3 4 5	JD 1.464- JD 1.760	JD 29.04 M	5.68%	JD 0.10/share
02/01/2024				
Founded: 1996	Shares Outstanding: 16.5 M	Employees: 108	Volume(3m): 2.006 K	Ex-DIV Date: NA
P/BV: 1.23x	Current P/E: 14.09x	Volatility(annual): 23.8%	Public Float: 2.54 M	Sector: Insurance

The Islamic Insurance Company ("TIIC" or the "Company"), established in 1996, is a leading provider of Sharia'-compliant insurance solutions in Jordan. Operating under the principles of Islamic Takaful, TIIC offers a range of insurance products tailored to meet the diverse needs of its clientele. In August 2024, the Company increased its capital to reach JD 16,500,000, further strengthening its financial position and enabling it to expand its operations and services.

Credit Rating: TIIC has been assigned a distinguished rating of 'A' (Single A) by the Islamic International Rating Agency (IIRA), reflecting its strong financial position and adherence to Islamic insurance principles.

Recommendation Summary

UFICO's **Hold with a Buy** bias recommendation on TIIC is based on a systematic analysis of four key characteristics mentioned above. TIIC shows strong profitability and a solid investment yield, but its low solvency ratio raises concerns. Despite being overvalued based on P/E and P/BV ratios, consistent dividend yields make it attractive for income-focused investors. Market participants are encouraged to diligently track upcoming quarterly results for further insights to facilitate well-informed decisions.

Relative Valuation

negative neutral positive
TIIC's pricing appears to be **overvalued** in terms of both its P/E and P/BV ratios. The Company's dividend yield of 5.68% is **below** the average of dividend payers on the ASE and the insurance sector, however, a stable dividend yield reflects consistent performance, making TIIC an attractive option for income-seeking investors.

Earnings Strength

negative neutral positive
TIIC has shown strong profitability in 2024, with net income growth of 18.3% significantly outpacing premium growth of 4.3%. The company's ROE of 8.82% is an improvement over previous years, indicating effective utilization of equity capital.

Financial Stability

negative neutral positive
The company is profitable with a Combined Ratio of 97.93% and strong Investment Yield of 12.70%, but its Solvency Ratio of 82.92% is concerning. Effective risk management with a 64.11% Risk Retention Ratio is positive, but improving capital reserves is essential.

Price Movement

negative neutral positive
At its current 14-week RSI, the stock is rated a **Hold**, while indicating a **Buy** signal based on its 200-Day Moving Average.

Major Risks & Rewards

- **Dividend Income:** TIIC has a strong track record of consistently distributing dividends, making it an attractive stock for income-focused investors.
- **Regulatory Oversight:** TIIC operates under regulatory oversight by the Central Bank of Jordan (CBJ), enhancing investor confidence in the stability and integrity of its operations within the financial system.
- **High Barrier to Entry:** Establishing an insurance company in Jordan entails significant barriers to entry, including the necessity of a substantial capital investment of JD 25 million, which could pose a challenge for potential newcomers.
- **Diversification:** Including TIIC stock in a diversified portfolio can mitigate risk and potentially enhance overall performance.
- **Underwriting Risk:** TIIC face the risk of underestimating claims or mispricing policies, leading to underwriting losses.
- **Investment Risk:** Insurers invest premiums to generate returns, exposing them to market risks such as volatility, interest rate fluctuations, and credit risk.
- **Regulatory Risk:** Changes in regulations can impact insurers' operations, capital requirements, and profitability.
- **Catastrophic Risk:** Insurers face the risk of large-scale losses from natural disasters, pandemics, or other catastrophic events.
- **Liquidity Risk:** Due to lower trading volumes and limited liquidity, investors may encounter challenges in buying or selling TIIC shares without impacting the stock's price and may face higher transaction costs as a result.

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Peers Group Comparison

		Price	Mkt Cap*	EPS	P/E	P/BV	Yield	ROE	Combined Ratio
		1/4/2025	1/4/2025	(2024)	(Current)	(MRQ)	(2024)	(2024)	(2024)
TIIC	The Islamic Insurance	JD 1.76	29,040	JD 0.12	14.09x	1.23x	5.68%	8.82%	97.93%
AAIN	Al-Nisr Al-Arabi Insurance	JD 4.02	40,200	JD 0.55	7.28x	0.84x	18.66%	11.80%	87.44%
MEIN	Middle East Insurance	JD 1.20	26,460	JD 0.03	43.38x	0.73x	5.83%	1.64%	99.72%
UNIN	The United Insurance Co.	JD 1.50	21,000	JD 0.11	13.97x	1.09x	0.00%	8.16%	99.72%
GIGJ	Gulf Insurance Group- Jordan	JD 2.14	55,640	JD 0.39	5.52x	1.00x	9.35%	19.15%	94.49%
JOIN	Jordan Insurance	JD 1.14	34,200	JD 0.04	32.30x	0.78x	0.00%	2.40%	96.52%
FINS	First Insurance	JD 0.75	21,000	JD 0.11	6.77x	0.57x	0.00%	8.81%	88.75%
Peer Weighted Average					7.51x**	0.86x	11.65%	10.18%	94.06%
Insurance Sector Median					11.01x	0.79x	7.59%	8.81%	98.83%
Insurance Sector Weighted Average					8.68x**	0.85x	10.50%	9.28%	92.52%

* In JD thousand, ** excluding MEIN and JOIN as outliers

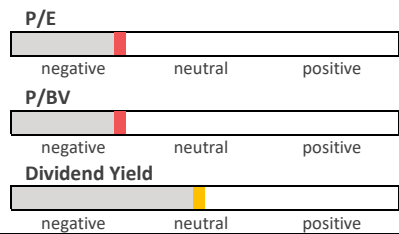
Past Performance

	2020	2021	2022	2023	2024
Dividend Yield	6.67%	5.84%	5.84%	5.46%	5.68%
Dividend/Share (JD)	0.08	0.08	0.08	0.10	0.10
Earnings/Share (JD)	0.115	0.126	0.111	0.116	0.125
Return on Equity	8.17%	8.50%	7.20%	7.56%	8.82%

Relative Valuation: **NEGATIVE**

Last Price	Market Cap	EPS	P/E	BV/Share	P/B	DPS	Div. Yield
1/4/2025	1/4/2025	(2024)	(Current)	(2024)	(MRQ)	(2024)	1/4/2025
JD 1.76	JD 29.040 M	JD 0.125	14.09x	JD 1.43	1.23x	JD 0.10	5.68%

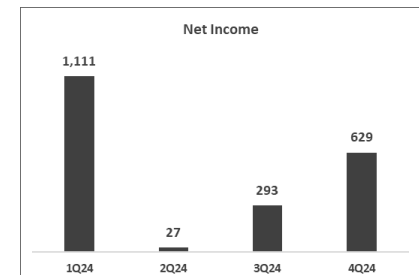
- **P/E vs Industry:** suggests that TIIC is overvalued compared to its peers and the sector.
- **P/BV vs. Industry:** suggests that TIIC is overvalued compared to its peers and the sector
- **Dividend Yield** of 5.68% is below the average dividend payers on the ASE and the insurance sector.



Earnings Strength: **POSITIVE**

FY24 Results	Premiums Written	Net Income	Net Earnings Ratio	ROE	ROA
	JD 46.6 M (+4.3%)	JD 2.1 M (+18.3%)	4.42%	8.82%	4.10%

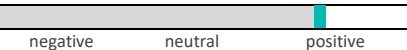
- **Return on Equity:** a marked improvement from 2023, indicating stronger profitability and capital efficiency. This improvement is supported by a 18.3% growth in net income, despite a modest increase in premiums.
- **Return on Assets:** Consistent with industry norms, implying effective utilization of assets.
- **Net Earnings Ratio** indicates a retention of approximately 4.42% of premiums written as net profit after accounting for claims, operating expenses, reinsurance expenses and other costs.



ROE



ROA



Net Earnings Ratio

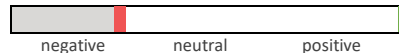


Operations Indicators: **NEUTRAL**

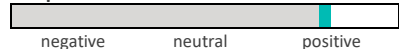
FY24 Ratios	Loss	Expense	Combined	Investment Yield	Risk Retention	Solvency
	84.65%	13.29%	97.93%	12.70%	64.11%	82.92%

- **Loss Ratio:** is quite high, indicating that a significant portion of earned premiums is being spent on claims. This suggests potential challenges in underwriting or higher-than-expected claims, which could be a concern for profitability.
- **Expense Ratio:** is on the low side and indicates reasonable operational efficiency. However, when combined with the high loss ratio, it contributes to an unfavorable combined ratio.
- **Combined Ratio** of 97.93% is positive. It suggests that the Company is generating an underwriting profit, albeit a narrow one. This is a signal that adjustments in pricing, claims management, or cost control may be necessary.
- **Investment Yield:** of 12.70% is exceptionally strong. This indicates high returns from the company's investment portfolio, which is likely contributing positively to overall profitability.

Loss Ratio



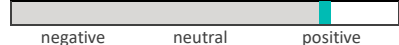
Expense Ratio



Combined Ratio



Investment Yield



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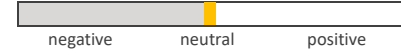
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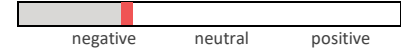
JD 1.76/Share

- **Risk Retention:** is within the acceptable range, suggesting a balanced approach between retaining risk and transferring it to reinsurers. The company is not overly reliant on reinsurance, which is positive for profitability if managed properly.
- **Solvency Ratio:** of 82.92% is below the commonly accepted minimum level (often 100% or higher in many regulatory frameworks). It indicates that the Company may not have sufficient capital to cover its liabilities if adverse events occur. This could pose a significant financial stability risk.

Risk Retention



Solvency Ratio



Price Movement: **NEUTRAL**

Annual Volatility: +/- 23.8%

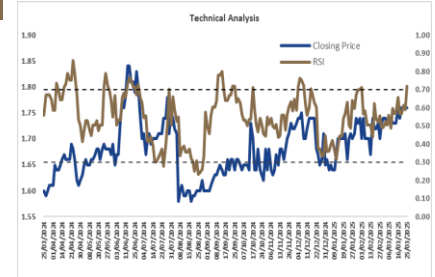
14-Weeks RSI: 62.12

200-Day MA: 1.626

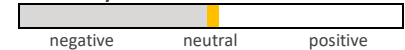
Stock Price up 10.0% over the past year

- **Volatility** suggests that TIIC's stock price has exhibited moderate fluctuations indicating moderate level of risk, suitable for swing trading and long-term investment.
- **14-Weeks RSI:** is 56.12, observed over a 14-week period, suggesting that the stock is approaching overbought territory, warranting caution for potential pullbacks. Traditionally, an RSI exceeding 70 signifies overbought conditions, while a value below 30 suggests oversold conditions.
- **200-Day Moving Averages:** the stock is currently trading above this level, signaling a **buying** opportunity. Furthermore, most moving averages across short, and medium-term timeframes indicate a "Buy," reflecting ongoing bullish momentum.

TIIC is currently trading above its 200-day MA, supported by a moderately bullish RSI and solid support levels. With a strong investment yield and improving financial metrics, the stock shows promise for both short-term gains and long-term accumulation. The primary support level is established at JD 1.626, which serves as a significant technical benchmark and a strong area of buying interest. This level is likely to act as a cushion against downward pressure, making it an optimal entry point for accumulation. Additionally, a secondary support level is identified at JD 1.60, a psychologically important threshold that, if breached, could trigger further selling momentum. On the upside, immediate resistance is encountered at JD 1.80, where profit-taking activity is likely to intensify. A successful breakout above this level would signal bullish continuation, with the next resistance zone projected between JD 1.90 and JD 2.00. This range represents a critical area of overhead supply, where previous attempts to advance have stalled. A decisive breach above JD 2.00 would confirm a bullish reversal pattern, potentially opening the door for a sustained upward rally.



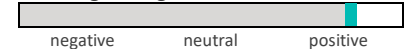
Volatility



14-Weeks RSI



Moving Averages



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UFICO Stock Ratings: UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

1	2	3	4	5	Strong Buy	Significantly Satisfactory
1	2	3	4	5	Buy	Satisfactory
1	2	3	4	5	Hold	Average
1	2	3	4	5	Sell	Unsatisfactory
1	2	3	4	5	Strong Sell	Significantly Unsatisfactory

Relative Valuation: Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

Earnings Strength: Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

Financial Stability: Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

Recent Price Movement: Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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