



Insurer Financial Strength Rating Report

Malath Cooperative Insurance Company (Malath)

March 2025

Rating Summary

1.1 TASSNIEF Opinion:

| <i>Malath Cooperative Insurance Company – IFS Rating</i> | |
|--|--------------------------------|
| <i>Domicile</i> | <i>Saudi Arabia</i> |
| <i>Insurer Financial Strength Rating</i> | <i>A-</i> |
| <i>Outlook</i> | <i>Stable</i> |
| <i>Rating Watch</i> | <i>Rating Watch - Positive</i> |
| <i>Action Type</i> | <i>Initial</i> |
| <i>Last Rating Action</i> | <i>NA</i> |
| <i>Type of Relationship</i> | <i>Solicited</i> |

Tassnief has assigned the Insurer Financial Strength Rating of **“A-” (Single A Minus)** Malath Cooperative Insurance Company. The outlook on the rating is “Stable”. The assigned rating is indicative of robust financial profile, low risk factors and high prospect of meeting policyholder liabilities.

Tassnief has also placed Malath on **“Rating Watch – Positive”** status on account of proposed merger with Liva Insurance Company. The rating will be reviewed upon the completion and finalization of the merger. The financial profile and key rating factors of the merged entity will determine the final rating post-merger.

1.2 TASSNIEF Rating Rationale:

Mid-sized player with extensive track record of operations

Malath Cooperative Insurance Company (Malath) is a mid-sized insurance Company with a market share of around 1.8% in terms of gross premiums. The Company has extensive operating history and track record of operations. In 9M2024, gross premiums were reported at SAR 1.02b, reflecting an increase of 47% over the corresponding period of last year. This growth is attributed to enhanced health insurance and increased penetration in SME clients. Malath also strengthened its relationships with banks and aggregators to support growth in health and motor segments. Within motor segment, the focus remained on retail client and comprehensive insurance.

Satisfactory diversification in business lines although presence in protection & savings segment is limited; customer mix compares favorably as compared to peers and bodes well from a risk perspective

The Company's business mix incorporates healthy presence across 3 main segments, i.e. health, motor and property & casualty (P&C) segments. Malath has increased its market share in motor and P&C segments to 4.2% (2023: 1.9%) and 1.9% (2023: 1.0%), respectively, while largely maintaining its position in health segment at 1.3% (2023: 1.3%) in 9M2024. The Company's diversity of business lines is considered satisfactory, although presence in protection & savings segment is limited.

Gross premiums by customer mix have depicted an improving trend in 2023 and 9M2024 with an increase in proportion of gross premiums generated from individuals. Malath's proportion of individuals in business mix compares favorably to peers which translates into lower concentration mix. Malath targets to continue to grow its retail and SME premiums while maintaining corporate segment. Enhanced focus on individual clients is attributed to more predictable and manageable risk profile as compared to corporate clients, higher margins, and lower claims volatility along with potential growth prospects.

Underwriting performance compares less favorably to industry peers, though comfort is drawn from growing investment income; sustained improvement in underwriting performance is important

Malath's underwriting performance has remained weaker than that of industry peers over the past three years, reflecting continued challenges in achieving sustainable operating profitability. After posting an insurance service loss of SAR 39m in 2022, primarily driven by an elevated loss ratio in the motor segment, Malath Cooperative Insurance demonstrated a notable improvement in underwriting performance in 2023, achieving an insurance service profit of SAR 17m. The turnaround was underpinned by a combination of strategic and operational measures, including a reduction in the frequency and severity of motor claims, the implementation of multiple pricing revisions, and the non-renewal of loss-making corporate accounts. Overall net combined ratio decreased to 98% (2022: 104.3%) in 2023, with motor segment improving to 88.4% (2022: 124.4%), partially offset by increased claims in health and P&C segments.

However, despite improvement in 2023, Malath's underwriting performance remained volatile, with the net combined ratio increasing to 100.4% in 9M2024. This highlights the challenges in maintaining consistent underwriting profitability, particularly as competitive pressures and inflationary impacts on claims costs persisted. As per management, the target is to maintain an underwriting profit of 2% while curtailing its loss ratios across all segments. Tassnief is of view that enhancement of pricing strategies, strengthening of claims management processes, and recalibration of product mix to reduce loss ratios in select segments is required to enhance and sustain underwriting performance going forward.

Conservative investment profile and satisfactory liquidity cushion

Malath has expanded its investment portfolio to SAR 789m (2023: SAR 619m) at end-9M2024, which has continued to support its bottom line. The Company maintains a conservative investment strategy characterized by low exposure to credit and market risks. Management employs a comprehensive due diligence process prior to asset class exposure, emphasizing both quantitative and qualitative assessments, as well as thorough evaluation of credit and concentration risks.

Malath Insurance's investment strategy demonstrates a balanced approach, focusing on yield enhancement while maintaining controlled risk exposure. The decline in interest rates in 2024 presented challenges to the fixed income portfolio, prompting a strategic shift to higher yielding but manageable credit risk Sukuk instruments. Additionally, the strategy includes increasing investments in money market funds to offset the impact of reduced interest rates compared to the previous year. Company's maximum equity exposure internal limit reflects a cautious yet growth-oriented stance, balancing potential gains with the need to manage risk.

Satisfactory risk adjusted capitalization levels

Malath has a paid-up capital of SAR 500m as at end-September 2024; however, the equity base stands at SAR 408m (2023: SAR 390m) due to accumulated loss of SAR 118m. Risk adjusted capitalization indicators are satisfactory given conservative investment profile with low quantum of high-risk assets and manageable exposure to credit and market risk, satisfactory reinsurance program & credit quality of reinsurance panel, low net risk retention and adequate cushion over regulatory solvency.

Sound governance and risk management framework

Governance assessment is supported by experienced board profile, presence of board level committees and well-structured oversight mechanisms. Board of Directors comprises nine members, with majority being independent directors. The Board showcases a sound combination of educational and professional experiences, contributing to a dynamic governance structure. In terms of experience, the Board members bring a wealth of expertise from diverse industries, including insurance, banking, finance, legal, and regulatory sectors. The assessment further incorporates a diverse senior leadership team, with expertise across insurance, finance, technology, and risk management sectors.

Malath has implemented a robust Enterprise Risk Management (ERM) framework that aligns with leading international standards such as ISO 31000 and COSO ERM. The framework is designed to

support the achievement of Malath's strategic objectives by systematically identifying, assessing, treating, mitigating, and monitoring risks across all business functions. The Internal Audit and Compliance departments, under the supervision of senior management, ensure adherence to regulatory standards and the implementation of best practices across all operational areas.

Supportive regulatory environment

The insurance sector in Saudi Arabia has undergone significant regulatory reforms aimed at enhancing financial stability and transparency. As of November 23, 2023, the Insurance Authority (IA) became the primary regulator of the insurance sector, consolidating oversight roles previously managed by the Saudi Central Bank (SAMA) and the Council of Health Insurance (CHI). The IA assumed health insurance-related mandates from CHI on March 24, 2024, further streamlining regulatory functions.

The adoption of IFRS 17, replacing IFRS 4, has been a major reform, bringing standardized financial reporting to the industry. IFRS 17 introduces improved transparency in revenue recognition and liability valuation through risk-adjusted valuation methodologies. This shift has prompted insurers to maintain stronger capital buffers, aligning with global risk-based capital frameworks and bolstering financial stability.

Additionally, the regulatory reforms included the introduction of higher minimum capital requirements and more rigorous solvency monitoring. These measures aim to reduce the risk of insurer insolvencies and create a more resilient insurance industry. Overall, these reforms reflect the regulator's commitment to strengthening the insurance sector's regulatory framework, enhancing market stability, and ensuring robust protection for policyholders.

1.3 Rating Triggers

Key rating trigger for the Company would be an increase in market position and a greater diversification in business mix while improving underwriting performance and capitalization buffers. Moreover, strengthening financial flexibility through increasing absolute quantum of profitability and equity base remains important.

1.4 About the Company

Malath Cooperative Insurance Co. ("Malath" or the "Company") is a listed Saudi Joint Stock Company registered in KSA with CR#1010231787 dated April 09, 2007. Malath was listed on Tadawul in May 2017. The Company's shareholding is held by general public and institutional investors, with no single shareholder owing 5% or more. Malath's principal lines of business include medical, motor, marine, fire, engineering, casualty and other general insurance.

Classification: [Restricted](#)

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Insurance Companies (v.2. 2019) can be found on the website:
www.tassnief.com

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- TASSNIEF has conducted the exercise based on its approved Rating Methodologies and Policies in order to derive the Insurer Financial Strength (IFS) rating opinion on Malath Cooperative Insurance Company. The ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold or sell any securities or make any other investment decisions.
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- The analyses and forecasts in this rating report are inherently forward-looking and cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.
- This rating has not been amended following disclosure to the rated entity or its related party(ies). The rating scale can be found in the link above. The rated entity has not conducted any rating activity with regards to its rating. No part of the rating activities were outsourced.

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