INSURER FINANCIAL STRENGTH RATING SUMMARY REPORT

Malath Cooperative Insurance Company

Joint Stock Company

August 2026

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Related Criteria and Methodology

The specific rating methodologies and criteria applied in this analysis are available on the Tassnief website. To view or download these documents, please visit www.tassnief.com.

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1. Tassnief's Rating Opinion

Simah Rating Agency (Tassnief) has maintained the Insurer Financial Strength (IFS) Rating of **"A-" (Single A Minus)** for **Malath Cooperative Insurance Company**. The outlook on the rating is **"Stable"**. Tassnief has also removed Malath from **"Rating Watch – Positive"** status on account end of merger talks with Liva Insurance Company with no agreement.

About the Company:

Malath Cooperative Insurance Company, referred to as "Malath" or "the Company" is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under the commercial registration number 1010231787 dated April 09, 2007. The scope of activities is to transact cooperative insurance operations and all related activities, including reinsurance and agency activities. The principal business lines include medical, motor, marine, fire, engineering, casualty, and other general insurance. The Company operates from its head office in Riyadh and has a total of 389 employees.

Malath Cooperative Insurance Company	
Domicile	Saudi Arabia
Insurer Financial Strength Rating	A-
Outlook	Stable
Short-Term Rating	N/A
Rating Watch	None
Rating Action	Maintained
Rating Type	Solicited
Date of Initial Rating	March 2025
Date of Last Rating	N/A
Deviation from Methodology	None

2. Rating Rationale

Mid-sized player with extensive track record of operations; sustainability of market positioning is considered important

Malath Cooperative Insurance Company (Malath) is a mid-sized insurance Company with a market share of around 1.5% in terms of gross premiums as of 2025. The Company has extensive operating history and track record of operations. In 2025, gross written premiums decreased to SAR 1.24b (2024: SAR 1.41b) in 2024 and SAR 260m (1Q2025: SAR 471m) in 1Q2026, mainly due to shift in business strategy whereby the Company transitioned from building & development phase to consolidating operational efficiency and achieving sustainable returns. Despite a significant slowdown in premiums during 1Q2026, Tassnief expects Malath to maintain its market positioning due to continued growth in health business, cautious underwriting in motor segment, rollout of newly announced Contractor's Works Insurance Product in partnership with the National Housing Services Company, and enhanced reinsurance capacities for P&C lines.

Business diversification is considered satisfactory though sustainability of business volumes at segment levels remains to be seen; materialization of entry into protection & savings is important to capture growth opportunity

Malath's business profile draws comfort from satisfactory diversity, with the Company having presence across three main segments, i.e. health, motor and P&C segments. The business mix predominantly comprises health and motor segments, which accounted for 43.8% (2024: 44.1%) and 45.3% (2024: 44.5%) of total gross written premiums in 2025, respectively. The proportion of P&C remained largely stable at 11.0% (2024: 11.5%). Malath currently has no presence in the protection & savings (P&S) segment; the industry premiums for the segment have grown more than threefold to reach SAR 8.16b in 2025. The materialization of plans regarding entry into P&S is important to capture growth opportunity and further diversity in the business mix.

Business mix by customer type also remains satisfactory after healthy growth premiums from individuals between 2022 and 2024. In 2025, the contribution of individuals in overall mix remained largely stable at 47.7% (2024: 48.3%), which compares favorably to peers and translates into lower concentration risk. Enhanced focus on individual clients is attributed to more predictable and manageable risk profile, higher margins, and lower claims volatility along with potential growth prospects.

Underwriting performance compares less favorably to industry peers despite growth in insurance service revenue, though some comfort is drawn from sustained investment income

Malath's underwriting performance remained weaker than that of industry peers over the past three years, reflecting continued challenges in achieving sustainable technical profitability. The Company's insurance service loss widened to SAR 13m in 2025 (2024: loss of SAR 4m), primarily due to deterioration in motor and P&C underwriting results. Overall claims ratio increased during the year, although it remained below the elevated levels of 91.8%-95.8% recorded during 2022-2023.

Health segment reported a marked improvement, generating an insurance service profit of SAR 63m in 2025 (2024: loss of SAR 1m). Claims ratio improved during the year, supported by the non-renewal of loss-making corporate accounts, stronger in-house claims-management capabilities, and more prudent pricing of mandatory health policies. Motor remained the principal drag on underwriting performance, with the insurance service loss widening significantly to SAR 66m in 2025 (2024: loss of SAR 12m). Claims ratio increased during the year, reflecting higher claims frequency and severity, as well as intense price competition that resulted in inadequate compensation for the underlying risk.

The net combined ratio remained around above the breakeven level at 103.3% in 2025 (2024: 103.5%), indicating a continued underwriting loss despite the improvement in expense efficiency. Malath's net combined ratio compares less favorably with the sector ratio of 99.9% (2024: 97.9%). However, the net combined ratio improved to 100.8% in 1Q2026, supported by improvement in claims ratio, although this was partly offset by the higher expense ratio.

For 2026, the Company expects notable improvement in its underwriting performance, driven by largely stable revenue and improvement in insurance service margin due to changes in business mix; however, the materialization of the same remains to be seen. The Company's target is to maintain an underwiring profit of around 1.5% while curtailing its loss ratio across all segments. Tassnief is of view that enhancement of pricing strategies, strengthening of claims management processes, and recalibration of product mix in select segments is required to enhance and sustain underwriting performance going forward.

Conservative investment profile and satisfactory liquidity cushion

Malath's investment portfolio has depicted a notable decline over the past year, with investments declining to SAR 725m at end-1Q2026. Nevertheless, the Company continues to maintain a conservative investment strategy, which is characterized by low exposure to credit and market risks. The investment strategy demonstrates a balanced approach, focusing on yield enhancement while maintaining controlled risk exposure. Term deposits and cash & bank balances represented 63.5% of overall investment portfolio.

Sukuk investments represented 14.0% of portfolio mix, including relatively high-yield tier-1 sukuk; however, the Company intends to increase its exposure to government sukuks to improve its solvency ratio. Maximum equity exposure remained within internal limits, reflecting a cautious yet growthoriented approach, balancing potential gains with the need to manage risk. Cushion in terms of liquid assets covering net insurance contract liability is considered adequate at 110% (2025: 107%) at end-1Q2026, which is also within the Company's target range.

Adequate solvency ratio under Risk-based capital regime

Malath has a paid-up capital of SAR 500m; however, the equity base stands at SAR 467m (2025: SAR 462m) due to accumulated loss of SAR 81m. Malath remains adequately capitalized, with its RBC solvency ratio of 147% (2024: 172%) at end-2025, which is broadly in line with the sector median of 142%, although moderately below the sector average of 156%. The ratio provides a satisfactory buffer above the regulatory minimum and compares favorably with the 124% average for small insurers.

From the rating perspective, Malath's RBC solvency ratio continues to adequate capitalization; however, sharp reduction in headroom in 2025 increases sensitivity to underwriting losses, adverse reserve development, volatility in market risk of its investment portfolio, and further growth in capital intensive business lines. Sustaining a comfortable RBC buffer will therefore depend on improved internal capital generation, disciplined risk selection and effective management of underwriting, and investment and reinsurance-related capital charges.

Sound governance and risk management framework

Governance assessment is supported by experienced board profile, presence of board level committees and well-structured oversight mechanisms. The majority of Board comprises 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. Insurance Authority (IA) is the primary regulator of the insurance sector. IA's newly approved National Insurance Sector Strategy establishes a clear long-term roadmap aimed at transforming the sector into a larger, more resilient and technically disciplined market.

The strategy is built around three core objectives:

- Enhancing insurance protection for individuals and businesses
- Developing a sustainable and efficient insurance market
- Expanding coverage of national risks

To achieve these objectives, the IA has launched 11 strategic programs and 72 initiatives covering key lines of business and sector infrastructure, including health, motor, property and casualty, protection and savings, reinsurance, retention capacity, uninsured risks, regulation, technology and data, and human capital development.

The strategy sets explicit quantitative targets for 2030, including:

- Increasing insurance penetration to 3.6% of GDP compared to 2.25% in 2025.
- Doubling risk-based capital across the sector
- Expanding health insurance coverage to 23 million beneficiaries compared to 14.5 million in 2025.
- Increasing insured vehicles to 16 million compared to 11 million in 2025.

The strategy is supportive of sector stability as it targets higher capitalization, improved retention capacity, and stronger underwriting discipline, including a goal to double risk-based capital and increase local risk retention. The initiatives also promote improved pricing efficiency through enhanced data infrastructure and underwriting capabilities, which should reduce structural underpricing and earnings volatility over time.

Tassnief is of view that IA's transition to RBC solvency framework, effective January 1, 2027, is expected to strengthen the risk sensitivity of capital requirements by linking required capital more closely to insurers' underwriting, market, credit, and operational risk exposures. From an IFS rating perspective, the transition is structurally positive as it should promote stronger risk-based pricing, more disciplined underwriting, better asset-liability management, and improved capital allocation. However, the RBC regime may also expose capital deficiencies and increase solvency volatility for insurers with concentrated risk exposures, weak underwriting performance or limited earnings generation capacity. This could result in additional capital requirements, greater use of reinsurance, business-mix adjustments, and further sector consolidation.

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.

Insurer Financial Strength Rating Definitions

Long-Term Rating	Definition
AAA	**Extremely Robust**; Tassnief considers risk factors as insignificant. **Highest prospect** of policyholder liabilities to be met.
AA+ AA AA-	**Very Robust**; Tassnief considers risk factors as minute. **Very high prospect** of policyholder liabilities to be met.
A+ A A-	**Robust**; Tassnief considers risk factors as low. **High prospect** of policyholder liabilities to be met. Risk profile may vary with changes in economic / sector conditions.
BBB+ BBB BBB-	**Moderate**; Tassnief considers risk factors as average. **Moderate prospect** of policyholder liabilities to be met. Risk profile may exhibit moderately high variation with changes in economic / sector conditions.
BB+ BB BB-	Tassnief considers risk factors as high. **Low prospect** of policyholder liabilities to be met. Risk profile may exhibit wide variation with changes in economic / sector conditions.
B+ B B-	Tassnief considers risk factors as very high. **Very low prospect** of policyholder liabilities to be met.
CCC CC C	Tassnief considers risk factors as significant. **Extremely low prospect** of policyholder liabilities to be met.
D	Insurer has **defaulted or may default** soon on its policyholder liabilities

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