

Research Update:

# Saudi Reinsurance Co. Assigned 'A-' Ratings; Outlook Stable

December 16, 2022

## Overview

- Saudi Reinsurance Co. (Saudi Re) has continued to strengthen its competitive position via profitable business growth and diversification in recent years, thanks to local and international expansion.
- At the same time, Saudi Re's exposure to catastrophe and other large risks is relatively modest and the company maintains capital adequacy above the 'AAA' level in our model.
- We assigned our 'A-' long-term issuer credit and insurer financial strength ratings and 'gcAAA' regional scale rating to Saudi Re.
- The stable outlook reflects that Saudi Re will maintain excellent capital adequacy and continue to profitably expand and diversify its business over the next two years.

## Rating Action

On Dec. 16, 2022, S&P Global Ratings assigned its 'A-' long-term issuer credit and insurer financial strength ratings to Saudi Reinsurance Co. (Saudi Re). The outlook is stable.

At the same time, we assigned our 'gcAAA' Gulf Corporation Council regional scale rating to the company.

## Rationale

Saudi Re posted gross written premium (GWP) growth of about 19% to Saudi riyal (SAR) 1.1 billion (\$298 million) in 2021 from SAR0.9 billion in 2020. It also increased its top line 7.5% in the first nine months of 2022, mainly driven by higher premium income from inherent defects insurance in its home market of Saudi Arabia. At the same time, the company achieved a net combined (loss and expense) ratio of about 92% compared with 97% during the first nine months of 2021, supported by the discontinuation of less profitable business in the Far East.

Saudi Re enjoys several regulatory benefits, such as certain tax benefits and mandatory cession on a first right of refusal basis from local primary insurers from 2023, since the Saudi authorities

### PRIMARY CREDIT ANALYST

**Emir Mujkic**  
Dubai  
+ (971)43727179  
emir.mujkic  
@spglobal.com

### SECONDARY CONTACT

**Sachin Sahni**  
Dubai  
(971) 4-372-7190  
sachin.sahni  
@spglobal.com

### ADDITIONAL CONTACT

**Insurance Ratings EMEA**  
Insurance\_Mailbox\_EMEA  
@spglobal.com

## **Research Update: Saudi Reinsurance Co. Assigned 'A-' Ratings; Outlook Stable**

implicitly regard it as part of the local insurance sector infrastructure. We expect that Saudi Re's GWP will expand at least 5%-10% in 2022 and 2023. Following an increase in reinsurance pricing and thanks to relatively low exposure to catastrophe and other large risks, we also anticipate that the company will generate net combined ratios of 94%-96% per year in the same period.

Saudi Re's shareholders' equity increased about 2.7% to SAR990.8 million at Sept. 30, 2022, from about SAR964 million at year-end 2021. This increase was supported by a net comprehensive income of about SAR26.7 million and no dividend payouts. We consider Saudi Re's capital adequacy a key rating strength and expect it to remain above the 'AAA' benchmark in our risk-based capital model over the next two years. A planned capital increase through a rights issue in early 2023 will further support the entity's growth plans, in our view.

In line with regulatory requirements, governance practices at Saudi Re appear effective and appropriate. We also regard the consistency in strategy and management's expertise and experience as a benefit to the company.

Based on our calculations, Saudi Re's assets exceeded stressed liabilities but at a somewhat lower margin when compared with peers. Although we view the reinsurer's liquidity position as adequate, we anticipate gradual improvements over the next two years as the base of liquid assets expands.

## **Outlook**

The stable outlook reflects that Saudi Re will maintain excellent capital adequacy and continue to profitably expand and diversify its business over the next two years.

## **Downside scenario**

We could take a negative rating action if the company experiences significant volatility in GWP and operating performance over the next two years. We could also take a negative rating action if, contrary to our expectations, Saudi Re's financial risk profile weakens significantly, for example because of unexpected and material losses, significant premium growth, or increasing exposure to large, long-tail risks.

## **Upside scenario**

We view an upgrade as unlikely over the next two years, given the entity's relatively limited diversification and the overall small capital base compared with higher-rated global peers.

## **Environmental, Social, And Governance**

### **ESG credit indicators: E-2, S-2, G-2**

ESG factors have no material influence on our credit rating analysis of Saudi Re.

## Ratings Score Snapshot

Business risk profile	Satisfactory
Competitive position	Satisfactory
IICRA	Intermediate risk
Financial risk profile	Strong
Capital and earnings	Strong
Risk exposure	Moderately low
Funding structure	Neutral
Anchor*	a-
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable ratings analysis	0
Financial strength rating	A-/Stable

\*This is mainly influenced by Saudi Re's robust capital adequacy, favorable competitive position in Saudi Arabia, and improving operating performance.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

## Ratings List

### New Rating

#### Saudi Reinsurance Co.

Issuer Credit Rating	
Gulf Cooperation Council Regional Scale	gcAAA/--/--
Issuer Credit Rating	
Local Currency	A-/Stable/--
Financial Strength Rating	

## Research Update: Saudi Reinsurance Co. Assigned 'A-' Ratings; Outlook Stable

### New Rating

Local Currency	A-/Stable/--
----------------	--------------

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at [https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceId/504352](https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352) Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.