

RATING ACTION COMMENTARY

Fitch Assigns Walaa 'A-' IFS Rating; Outlook Stable

Thu 07 Aug, 2025 - 4:25 AM ET

Fitch Ratings - London - 07 Aug 2025: Fitch Ratings has assigned Walaa Cooperative Insurance Company (A Saudi Joint Stock Company) an Insurer Financial Strength (IFS) Rating of 'A-' and National IFS Rating of 'AA+(sau)'. The Outlooks are Stable.

The ratings reflect Walaa's strong capitalisation and company profile, partly offset by volatile financial performance and earnings.

KEY RATING DRIVERS

Strong Franchise in Saudi Arabia: Fitch's assessment of Walaa's company profile reflects its substantial operating scale and franchise. Walaa's gross written premiums were SAR3.5 billion in 2024 (2023: SAR3.3 billion), making it the fifth-largest insurer in Saudi Arabia. Walaa holds a strong market position in the property and casualty (P&C) business and maintains good market positioning in the protection and savings segment, where it expanded its scale, supported in part by the merger with SABB Takaful in 2022.

Fitch views Walaa's exposure to a wide-ranging product mix as supportive of the company profile assessment. Fitch expects Walaa's acquisition in May 2025 of an 88% stake in Aspire Underwriting Agency Ltd, a Dubai-based managing general agent specialising in facultative reinsurance across energy, power, and property, to provide Walaa with access to markets outside Saudi Arabia and support gradual growth in inwards reinsurance business over the medium to long term.

Strong Capitalisation: Fitch regards Walaa's strong capitalisation as a key credit strength, underpinned by its 'Extremely Strong' Prism Global score at end-2024, unchanged from end-2023. Fitch expects Walaa to maintain a Prism score well above 'Strong' over the medium term, supported by robust capital buffers. However, persistently weak earnings or rapid business growth not supported by capital accumulation could erode the excess capital.

Rights Issue Supports Capital: In December 2024, Walaa raised SAR460 million through a rights issue to support growth and strengthen its solvency position. Consequently, Walaa's regulatory solvency ratio improved to 209% at end-2024 from 172% at end-2023, exceeding the regulatory minimum and market average. Walaa has no financial leverage, which we see as credit positive.

Earnings Volatility Constrains Ratings: Fitch expects that intense price competition in the Saudi motor and medical segments, coupled with increasing growth-related investment costs and thin margins in medical, will continue to pressure Walaa's underwriting profitability over the near term. However, we expect the insurer's overall performance to gradually recover, supported by growth in more profitable P&C segments and the expansion of the life insurance portfolio, with a focus on selective underwriting in motor and a measured scaling of the medical insurance business.

Walaa's net income return on equity (ROE) was modest at 4% in 2024, down from 12% in 2023, reflecting weaker underwriting results. Walaa reported a net loss of SAR68 million in 1Q25. The Fitch-calculated non-life combined ratio was 101% in 2024, slightly weakening from 100% in 2023 (three-year average: 102%), due to higher losses in motor and medical lines.

Significant Reliance on Reinsurance: Walaa cedes a large majority of its P&C risks to reinsurance counterparties, providing strong protection against major loss events. Fitch considers the credit quality of Walaa's reinsurance panel to be strong and its exposure to catastrophe risk to be low. We expect that counterparty risks may increase following the government's requirement for Saudi insurers to allocate 30% of reinsurance cessions to local reinsurers, granting them the right of first refusal. However, the increase is unlikely to be material as we expect most cessions to be with highly rated international reinsurers.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A material deterioration in financial performance, measured by a net income ROE below 2% on a sustained basis
- A sustained deterioration in the Prism score to 'Strong'
- A material deterioration in company profile, as evidenced, for example, by a sustained reduction in operating scale or market position

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/ Upgrade

- Sustained improvement in net income ROE to above 7%, supported by strong underwriting profitability

DATE OF RELEVANT COMMITTEE

24-Jul-2025

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

| ENTITY / DEBT ⚡ | RATING ⚡ | | |
|---|-------------|--------------------------------|------------|
| Walaa Cooperative Insurance Company (A Saudi Joint Stock Company) | LT IFS | A- Rating Outlook Stable | New Rating |
| | Natl LT IFS | AA+(sau) Rating Outlook Stable | |
| | | New Rating | |

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Insurance Rating Criteria \(pub. 05 Mar 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Global (ex-U.S.) Model, v1.8.1 ([1](#))

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