

## Our Methodology

SIMAH Rating Agency (TASSNIEF), will display the highest level of transparency in communicating its ratings to the marketplace, so that investors can be provided with the details of TASSNIEF's ratings approach, opinions and analyses.

TASSNIEF's Insurer Financial Strength (IFS) rating measures the relative capacity of an Insurance Company to meet its contractual obligations i.e. claims. The rating scale of TASSNIEF is by construction a global rating scale. It means that TASSNIEF, by default, rates all insurance companies domiciled in the Kingdom of Saudi Arabia (KSA) and outside Saudi Arabia, denominated in Saudi Riyals or any other currency. Therefore, In each country, including KSA, TASSNIEF will determine a country ceiling, which will be equal or higher than the sovereign rating in the country.

Moreover, TASSNIEF's Insurance Companies' rating methodology is built on a simplified sequential approach, in which it leads to the long-term Counterparty Rating of a n Insurance company.

TASSNIEF's long-term rating go hand in hand with an outlook, in which the direction can be positive, negative or stable. In addition, TASSNIEF allows itself to place any rating on watch based on a specific event.

## Rating Process

Once TASSNIEF is appointed as the credit rating agency and the contract is signed, the client shall submit all required information and documents. In addition, TASSNIEF rating team will meet with the client's management and external auditor to better assess the creditworthiness of the company from a rating perspective.

Afterwards, TASSNIEF's analytical team will start its analysis and presents the outcome to its rating Committee for deliberation. Therefore, there is no person solely responsible for a rating; instead our rating exercise is rather a collective work of TASSNIEF's experienced team, which is validated in the Saudi context.

TASSNIEF will also provide the client with the opportunity to appeal on the assigned rating for a second review, depending on the circumstances.

Subject to the final approval of the client, the Rating Report will be distributed at the discretion of the client.



# Insurance Companies Rating Framework

## Standalone Rating Factors

### Structural Factors 20%

- Macroeconomic Environment
- Operating Environment
- Regulatory Environment

### Qualitative Factors 40%

- Market Position
- Governance and Risk Management

### Financial Factors 40%

- Asset Quality
- Profitability
- Liquidity
- Capitalization

Parental Support

Counterparty Rating

	Long-term rating scale	Definitions
Investment Grade	AAA	Risk factors are insignificant. Highest prospect of policyholder liabilities to be met.
	AA+ AA AA-	Risk factors are minute. Very high prospect of policyholder liabilities to be met.
	A+ A A-	Risk factors are low. High prospect of policyholder liabilities to be met.
	BBB+ BBB BBB-	Risk factors are average. Moderate prospect of policyholder liabilities to be met.
	BB+ BB BB-	Risk factors are high. Low prospect of policyholder liabilities to be met.
Non-Investment Grade	B+ B B-	Risk factors as very high. Very low prospect of policyholder liabilities to be met.
	CCC+ CCC CCC-	Risk factors are significant. Extremely low prospect of policyholder liabilities to be met.
	CC C	Highly speculative prospect of policyholder liabilities to be met.
	D	Explicitly defaulted

## Key Definitions

**Long-term rating** is an opinion on the company's ability to meet policyholder's liabilities over 365 days.

**Modifiers** are « + » and « - » signs that adds more granularity in the ordinal credit classification.

**Outlook** is an indication of the direction of the rating over the medium term. The outlook can be Positive, Negative or Stable.

**Watch** indicates that a rating is under review for possible change based on specific event.