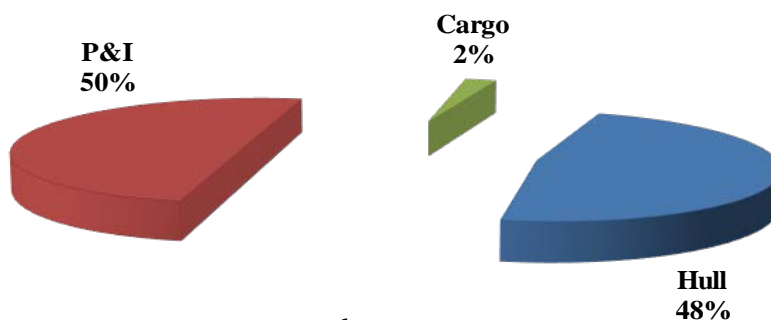


# AL BAHRIAH INSURANCE & REINSURANCE S.A.L

## Rating: **BBB<sup>+</sup><sub>ni</sub>** (Positive Outlook)

<p><b><u>Incorporated In:</u></b> Lebanon in 1987</p> <p><b><u>Paid Up Capital:</u></b> USD 1,508,380</p> <p><b><u>Chairman &amp; General Manager:</u></b> Mr. Nabil G. Lammam</p> <p><b><u>Board of Directors:</u></b> Mr. Nabil G. Lammam Ms. Lara Lammam Me. Fouad Debs</p> <p><b><u>Address:</u></b> Ashrafieh 770 Hotel Dieu Avenue, Al-Bahriah House, 2<sup>nd</sup> floor, 116-5242 Musee Beirut 1106-2030</p> <p><b><u>Telephone:</u></b> 961 1 336633</p> <p><b><u>Fax:</u></b> 961 1 612311</p> <p><b><u>Auditors:</u></b> Mr. Joseph Nasif Al Khoury</p> <p><b><u>Reported Currency:</u></b> USD</p> <p><b><u>E-mail:</u></b> <a href="mailto:bahriah@bahriah.com">bahriah@bahriah.com</a></p> <p><b><u>Web Page:</u></b> <a href="http://www.bahriah.com">www.bahriah.com</a> &amp; <a href="http://www.al-bahriah.com">www.al-bahriah.com</a></p>	<p>Al Bahriah's financial statements have been prepared in accordance with International Financial Reporting Standards. The company's auditor was Mr. Joseph Nasif Al Khoury in 2025.</p> <p>The company is a specialist marine insurer that provides Hull &amp; Machinery and Protection &amp; Indemnity coverage.</p> <p>The company's financial strength rating of (BBB<sup>+</sup>) in 2024 remained the same in 2025.</p> <p>The financial strength rating (BBB<sup>+</sup>) of the company is based on good levels of underwriting exposure, underwriting and overall profitability.</p> <p>Gross premiums in 2025 amounted to USD 32,663,391 against USD 27,034,687 in 2024, an increase of 21%. Claims incurred for the year 2025 amounted to USD 6,886,276 against USD 4,821,395 in 2024.</p> <p>Pre-tax profit for the year 2025 amounted to USD 5,703,131 against a pre-tax profit of USD 4,947,350 in 2024, an increase of 15%. Total shareholders' equity in 2025 amounted to USD 30,920,741 against USD 25,832,863 in 2024, an increase of 20%.</p> <p>The company's financial information is based on audited 2024 annual report and the pre-audited annual report for the year 2025. The Company is complying with Insurance Control Commission regulatory requirements as far as IFRS17.</p>
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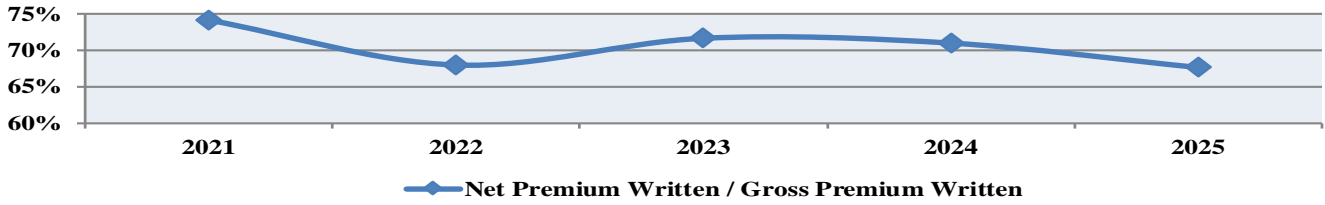
### Gross Premium by Product Line 2025



i.e. Muhanna  
Managing Director & Actuary

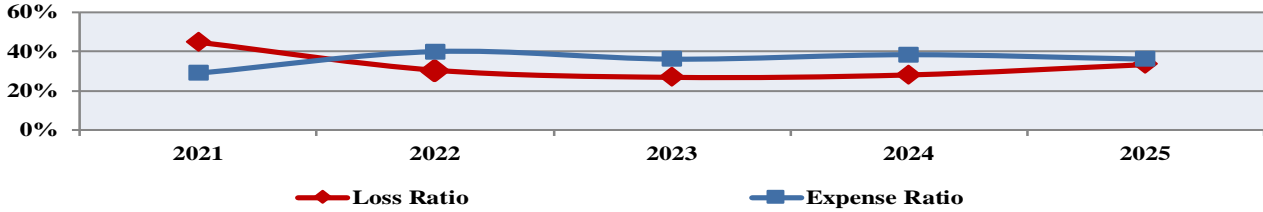


### Analysis of Retention Rate



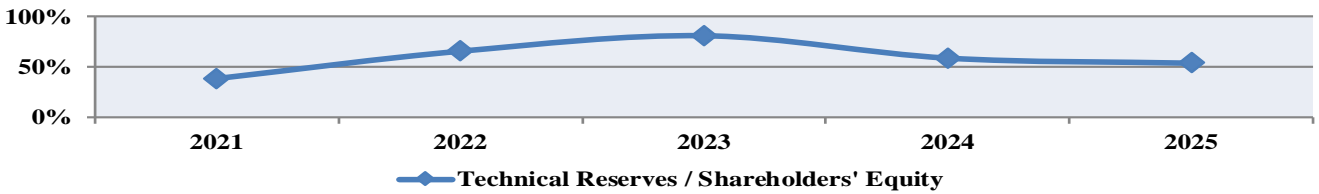
The retention ratio decreased from 71.01% in 2024 to 67.70% in 2025, close to the market average of 68%.

### Analysis of Earnings



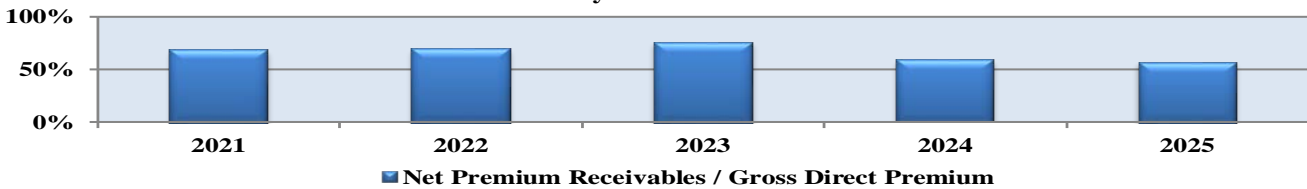
The expense ratio decreased from 38.15% in 2024 to 35.90% in 2025, whereas the loss ratio increased from 27.93% in 2024 to 33.26% in 2025, making thus the combined ratio at 69.16% in 2025, which is lower than the market average of 100%; hence the good underwriting profitability position of the company in the market.

### Analysis of Reserves



The ratio of technical reserves to total equity decreased from 59.12% in 2024 to 54.07% in 2025. The ratio is lower than the market average of 74%; hence the good capital position of the company in the market.

### Analysis of Receivables



The ratio of net premium receivables to gross direct premium decreased from 59.35% in 2024 to 56.67% in 2025; which is higher than the market average of 19%; hence the unfavorable receivables' collection position of the company in the market.

**Company:** Al Bahriah Insurance & Reinsurance Co. S.A.L

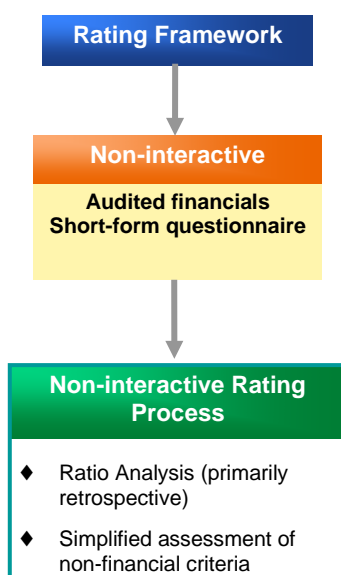
**Key Financial Data for the Last Five Years: (in USD)**

	2021	2022	2023	2024	2025
<b>Gross Premium</b>	21,332,729	22,266,509	19,292,364	27,034,687	32,663,391
<b>Net Profit</b>	2,587,276	4,205,350	5,080,197	4,447,437	5,077,292
<b>Total Reserves</b>	9,777,210	17,616,201	17,097,961	15,272,101	16,720,120
<b>Shareholders' Equity</b>	25,211,253	26,716,603	21,024,406	25,832,863	30,920,741
<b>Liquidity Ratio</b>	56.8%	84.7%	97.4%	74.6%	67.89%
<b>Return on Shareholders' Equity</b>	11.8%	17.4%	25.8%	19.2%	18.4%
<b>Return on Revenues</b>	12.8%	19.6%	29.6%	18.9%	17.5%

# MUHANNA NON-INTERACTIVE RATING METHODOLOGY

Ratings aim to provide an opinion about an insurer's financial strength and its ability to meet ongoing obligations to policyholders. Our analytical process incorporates a host of quantitative and qualitative measures that include comparative analysis to peer and industry standards, as well as assessments of an insurer's operating plans, philosophy and management. We maintain a team of highly qualified insurance analysts that works directly on each financial strength rating.

It is important to note that the Muhanna rating framework is based on a **regional relative rating scale** as opposed to a **global rating scale**. This means that the Muhanna framework provides an assessment of the financial strength of insurers relative to their peers in a regional context. The difference between the regional and global scale is particularly evident when dealing with country ceilings. Under a global rating scale, the rating of the country in which an insurer is investing, and from which most of an insurer's business is derived would normally comprise a cap on the financial strength rating of the insurer. In the case of country with a relatively low country rating such as Lebanon (which is rated B<sup>-</sup> currently) under a global rating scale, the country ceiling acts as an upper cap on the ratings of all companies even if they would be considered to be financially strong in a Lebanese context. This has the effect of compressing all the ratings within a tight range making it difficult for a user of the ratings that is assessing the financial strength of insurers to discern between the relatively financially strong and relatively weak in a regional context. The Muhanna regional rating scale only makes partial allowance for country/regional exposure by taking into account whether a particular company has more or less exposure relative to its peers in the country/region in question. The Non-Interactive Rating Framework is set out diagrammatically below.



Our non-interactive rating process incorporates the ratio analysis and a simplified version of the analysis of the non-financial criteria. This simplified process reflects the limited availability of information. The non-interactive rating process primarily revolves around the audited financial statements, as well as, some supplementary information that is made available by some of the companies rated. Very importantly, the non-interactive rating process does not incorporate any ongoing, continuous surveillance and non-interactive ratings would normally only be updated on the publication of annual audited financial statements. However, non-interactive financial strength rating may be updated before the publication of audited financials if other information that has material implications for the financial strength rating of a company becomes publicly available. **Muhanna non-interactive ratings are indicated by a “ni” subscript to distinguish these ratings from the interactive ratings.**

# **RATIO ANALYSIS**

The various ratios that are integrated into our ratio analysis are discussed below. These ratios provide measures of the relative standing of an insurer's financial position and/or operating performance. The ratios are grouped under the following five headings each representing an important indicator of an insurer's financial standing.

- Analysis of underwriting exposure
- Analysis of ceded reinsurance
- Analysis of assets & liquidity
- Analysis of earnings
- Analysis of reserves

The results of the ratio analysis under each of the above headings are then weighted to get to an overall score based on the ratio analysis which is then combined with a score based on non-financial criteria. We discuss the weights and non-financial criteria in the Ratio Weights section.

## **ANALYSIS OF UNDERWRITING EXPOSURE**

### **Net Premium Written / Shareholders' Equity**

This ratio measures the company's overall underwriting exposure in relation to its capital base. In general, the higher the ratio, the greater the risk exposure for the company in relation to its shareholders' funds. Difficulty in application of this ratio stems from the use of Net Premiums as an approximation for exposure. During times of rapid changes in premium rates, the nature of the ratio will inevitably change. The breakdown of the book of business-by-business lines should ideally be considered when using this ratio.

### **Gross Premium Written / Shareholders' Equity**

This ratio compares the risk exposure on a gross premium basis with the adjusted shareholders' funds. Differences between this ratio and the previous ratio may be important where there is some concern about the recoverability of reinsurance.

## **ANALYSIS OF CEDED REINSURANCE**

### **Net Premium Written / Gross Premium Written**

This is the "retention ratio" which indicates the extent of dependence on reinsurance / retrocession. A company which cedes / retrocedes more of its business than it would need to do in order merely to protect its net account may not be making the best use of its underwriting expertise and may find its over dependence on reinsurers fail to provide continuing support in difficult times.

## **ANALYSIS OF ASSETS AND LIQUIDITY**

### **Technical Reserves / Liquid Assets**

This ratio seeks to assess the adequacy of the company's liquidity in relation to its technical insurance liabilities. Liquid assets are defined as non-affiliated shares, bonds and cash and where possible are shown at market value. Technical reserves are defined as premium reserves, loss reserves, and other insurance reserves. They would normally not include mathematical reserves covering direct life business. The intention of the ratio is to examine the company's ability to respond quickly to heavy cash calls

### **Liabilities / Liquid Assets**

This is a broad measure of the company's ability to meet the financial demands that may be placed on it. It may also give some indication of the situation for the insured if liquidation became necessary. Liquid assets include the asset value adjustment and the effect of adding net reinsurance deposits to liquidity.

### **Shareholders' Equity / Total Assets**

This ratio is called the free-asset ratio (FAR). It measures the market value of an insurance company's assets in excess of its policy liabilities. FAR accounts for assets that are not being tied up as collateral for policies. A higher ratio implies a stronger capital base and a better ability for the insurance company to expand.

## **ANALYSIS OF EARNINGS**

### **Combined, Loss and Expense Ratios**

The combined ratio is split into two principal components, namely the expense ratio (commission and underwriting expenses / net written premium) and the loss ratio (net incurred losses / net earned premium). Net incurred losses include the net claims paid during the year and the net change in outstanding claims. The combined ratio generally indicates a profitable result on pure underwriting where the percentage is below 100%. It is important to note that the combined ratio is not used for life insurers as the ratio does not distinguish between risk claims and savings-related claims. However, we believe that the expense ratio has some value as a measure of the relative efficiency of life insurers although it may become distorted under certain circumstances. For example, front-loaded acquisition costs relating to recurring premium business can inflate the expense ratio of an insurer. Incorporating a negative adjustment for this in the rating framework may unfairly penalize a life insurer at a time that it may be writing significant volumes of profitable recurring premium new business.

One challenge that needs to be managed when using expense ratios to assess the relative efficiency of life insurers and non-life insurers is the potential misclassification by some insurers of recurring operating expenses as head office expenses that do not relate to the core underwriting activities of the company. Where possible we adjust for this in our rating analysis and only exclude expenses when they are truly non-recurring or when they relate to investment activities in which case the investment expenses may be deducted from investment income.

### **Expense Management Ratio**

This ratio is calculated by dividing the loss ratio over the combined ratio. It gives an indication of the share of claims and share of expenses in the combined ratio. A low ratio indicates that the combined ratio is mainly driven by the expenses of the company. As a result, the company should better manage its expenses.

### **Underwriting profit / Total Profit and Net Investment Income / Total Profit**

These ratios are designed to highlight unsuccessful underwriting. Where a company has a lower level of return on its underwriting operation so that it retains, say, 75% of its investment income after paying underwriting losses, it will tend to have difficulty maintaining the real value of its capital base.

### **Pretax Profit / Shareholders' Equity**

This ratio measures the return on equity before making allowance for tax. A high ratio implies that the company's equity is being used efficiently to generate returns.

We use the weighted average of this ratio over five years (as opposed to just taking the ratio for the most recent year) with the weight for the last and second last years being the highest at 35% and 25% respectively. This method aims to smooth out any short-term fluctuations in the ratio which causes it to deviate from sustainable levels and not penalize a company that increased its equity over the last operating year.

## **ANALYSIS OF RESERVES**

### **Technical Reserves / Net Premium Written**

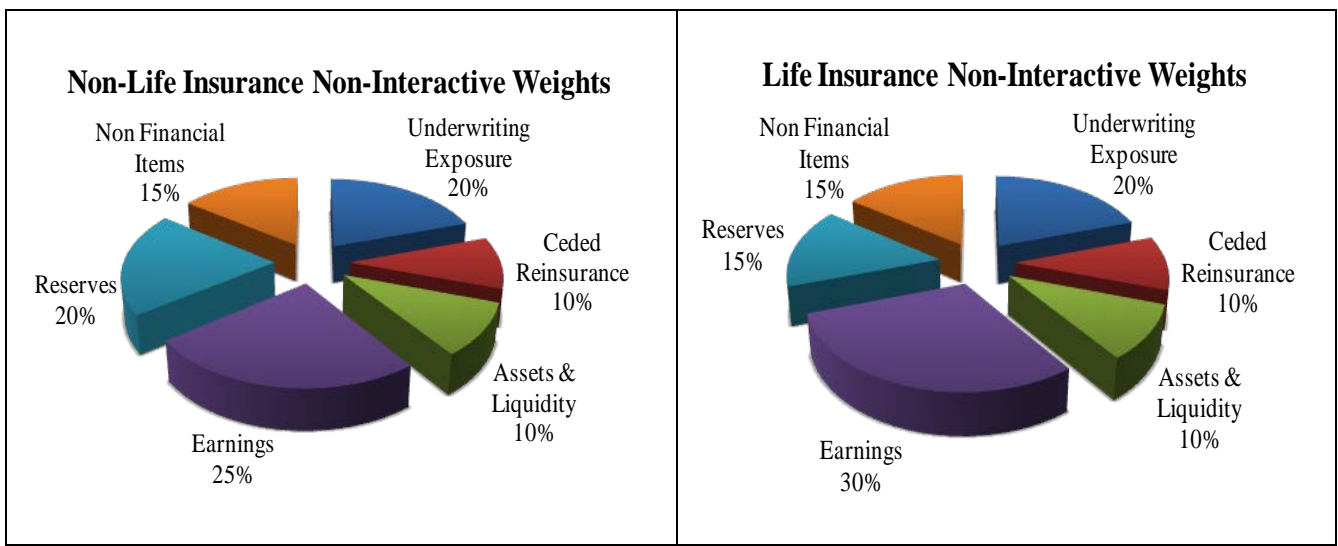
This ratio gives an indication of the approximate adequacy of technical reserves. In order to assess this, however, knowledge is required of the company's book of business line.

### **Technical Reserves / Shareholders' Equity**

This ratio measures the scale of the company's reserves in relation to the size of its net worth. It, therefore, addresses directly the susceptibility of shareholders' funds to any understatement of reserves. The ratio does not address the question of adequacy of reserves but merely looks at the relative scale of the company's operations. In fact, a company, which has reserved very conservatively, may well show up badly. It is only when combined with a poor profile under (Technical Reserves + Shareholders' Equity) / Net premium written ratio that this would be important.

## **RATIO WEIGHTS**

The charts below set the weights applied to the results of the ratio analysis and the non-financial assessment under each of the broad areas i.e. Underwriting Exposure, Assets & Liquidity, Ceded Reinsurance, Earnings and Reserves, as well as, Non-financial Items. As indicated below, the weights vary depending on whether the company is a Non-life or Life/Composite Insurer.



Below we set out the factors that we consider as part of our non-financial assessment of each insurer and the criteria that relate to each factor. It should be noted that the weight on non-financial items increases from 15% for non-interactive ratings to 30% for interactive ratings as in the case of the latter, our more extensive analysis and management contact allow us to place greater reliance on our non-financial assessment of an insurance company.

Factors	Criteria
Shareholders	Credibility of shareholders and ability to raise further capital
Reputation / Brand	Reputation and Branding presence
Regulatory Risk	Degree of regulatory risk in markets & lines of business of operation
Country Risk	Degree of political & financial risks specific to countries of operation
Auditors	Reputation of auditors
Corporate Governance / Management	Board Structure, Management Competency and level of integrity
Transparency	Degree of transparency in disclosed results
Strategy / Positioning	Appropriateness of company's strategy and positioning
Age	Age of the company and track record
Market Share	Market share of the company & its growth in countries of operation

# RATING SCALE

Muhanna Ratings fall under two categories:

- Secure
- Uncertain

**Rating categories from 'AAA' to 'BBB' are classified as 'secure' ratings and are used to indicate insurers whose financial capacity to meet policyholder obligations is viewed as balanced and sound. Among factors considered in placing insurers within the spectrum of 'secure' rating categories is the time frame within which policyholder security could be damaged by adverse economic and underwriting conditions. That time frame grows shorter as rating moves down the 'secure' rating scale.**

**Rating categories from 'BB' to 'CC' are classified as 'uncertain' ratings and are used to indicate insurers whose financial capacity to meet policyholder obligations is viewed as vulnerable to adverse economic underwriting conditions.**

## SECURE RANGE

- AAA** Insurance companies rated AAA possess an exceptionally strong ability to meet their policyholder obligations, and are most unlikely to be affected by adverse changes in economic and underwriting conditions.
- AA** Insurance companies rated AA possess a very strong ability to meet their policyholder obligations. Their overall risk profile, while low, is not quite as favorable as for insurance companies in the highest rating category.
- A** Insurance companies rated A possess strong ability to meet their policyholder obligations but are somewhat more susceptible to adverse changes in economic and underwriting conditions than companies in higher-rated categories.
- BBB** Insurance companies rated at this level meet overall criterion for a secure rating but some aspects may be relatively weak. This could have a negative impact on financial stability in a shorter term than the higher rated insurers, although in the medium term, security is regarded as adequate. Insurers graded at this level are viewed as offering approximately average security for the industry.

## UNCERTAIN RANGE

- BB** Insurance companies rated BB exhibit some weakness in their operating profile and / or financial condition. Financial security may be adequate, but capacity to meet policyholder obligations with respect to long-term policies, is vulnerable to adverse changes in economic and underwriting conditions.
- B** Insurance companies rated B exhibit fundamental weaknesses in their operating profile and / or financial condition. Currently able to meet their policyholder obligations, but such companies have limited capacity to withstand adverse changes in economic and underwriting conditions.
- CCC** Insurance companies rated CCC possess a very weak ability to meet their policyholder obligations. The continued capacity of these companies to meet their policyholder obligations is poor and highly dependent on favorable economic and underwriting conditions.
- CC** Insurance companies rated CC possess an inadequate ability to meet their policyholder obligations. Such companies require periodic external support or regulatory intervention without which their continued viability is in doubt. The rating indicates that a default may have already occurred or there is a high likelihood of default on their policyholder obligations.

**Note:** Ratings from AA to CC may be modified by the addition of a plus (+) or minus (-) suffix to show relative standing within the major rating categories.

***Ratings denoted with 'ni' subscript, are non-interactive financial strength ratings.***

***Before an insurance company can be awarded an interactive financial strength rating, it is required to undergo the Muhanna interactive rating process. The insurer must be willing to cooperate with our company in a transparent manner and to submit itself to a comprehensive range of management interviews encompassing all key areas of the company. Once the interactive (unqualified) rating has been published, the non-interactive rating (qualified with the 'ni') ceases to exist.***