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Research Update:

Israel-Based Harel Insurance Co. Ltd. Assigned 'A-' Ratings; Outlook Stable

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Overview

- Harel Insurance Co. Ltd. is one of the market leaders in the Israeli insurance market and enjoys diverse income streams across business lines.
- The group's profitability has seen significant improvement in recent years as its current business plan comes into full effect.
- Harel has reinforced its capital position over the past few years and reported a healthy solvency ratio, including transitional measures, of 183% as of June 30, 2025.
- We assigned our 'A-' insurer financial strength and long-term issuer credit ratings to Harel Insurance Co. and its core subsidiary Harel Insurance Finance and Issues Ltd.
- The stable outlook indicates that we expect the group's profitability to stabilize at its new higher level, preserve its capital position, and maintain its leading competitive position within the Israeli insurance market.

Rating Action

On Dec. 2, 2025, S&P Global Ratings assigned its 'A-' insurer financial strength and long-term issuer credit ratings to Israeli insurer Harel Insurance Co. and its core subsidiary Harel Insurance Finance and Issues Ltd. The outlook on the ratings is stable.

Rationale

The 'A-' ratings on Harel reflect the company's status as a market-leading diverse multiline insurer in the domestic insurance market. Being the largest insurer in Israel, Harel operates across all types of insurance as well as asset-management. Harel group’s business is well balanced across life insurance and long-term savings, pension and provident fund management, and a wide range of property, casualty, and health insurance products. As per year-end 2024, Harel held about 25% market share in the life- and health market, and about 15% in non-life. In recent years, the benefits of this diversification have been evident as different segments have contributed to profitability at varying times. Similar to its local peers, the company lacks geographical diversification as its activity is concentrated in Israel.

We expect strong profitability and growth momentum to be sustained. Harel's profits have been strong and have improved in 2025 year to date, comparing well with similarly rated peers domestically and internationally. Harel group’s gross premiums earned increased by 5.8% to Israeli new shekel (ILS) 33 billion, reflecting continued growth compared with the corresponding period in 2024. Over the first nine months of 2025, insurance profit before tax was ILS2,809 million (nine months of 2024: ILS1,624 million). Total comprehensive profit before tax (including noninsurance operations) was ILS3,259 million (nine months of 2024: ILS1,970 million). In the life insurance segment, profit for the first nine months of 2025 reached approximately ILS792 million, up from ILS299 million last year, mainly due to improved underwriting. In the general insurance segment, profit increased to ILS859 million from ILS381 million, with the combined ratio improving to 87% from 93%, reflecting stronger property/casualty (P/C) underwriting, in particular seen in segment motor property, other property and liability, and higher investment income. In the health insurance segment, profit increased to about ILS1.1 billion from ILS944 million, driven by improved underwriting in medical expenses and critical illness, as well as higher investment and financing income. As a result, return on equity was 17% in the nine months of 2024 and 27% in the nine months of 2025, which stands well in comparison to international peers.

In our view, the broad-based nature of the profits generated in 2024 and 2025 year to date show that the recently improved profitability will be maintained. Notably, Harel's stock of contractual service margin (CSM) increased over the first nine months of 2025. Regardless of releasing about ILS923 million of CSM from risk products in life and health by Sept. 30, 2025, net CSM rose to ILS17.1 billion for the period (from ILS16.5 billion as of year-end 2024). This implies that risk products will continue to generate steady profits.

We expect Harel's improved capital position to be maintained at the current level over the next two years. We note the group's improved capital position, using our own insurance capital model and on a regulatory solvency basis.

We expect Harel to continuously exceed capital requirements under our model at the 99.95% confidence level. In our strong capital and earnings assessment, we recognize that a high proportion of capital is derived from the company's future profits.

The regulatory solvency ratio of Harel, including transitional measures, shows a healthy margin increased to 183% as of June 30, 2025, compared with 172% as of Dec. 31, 2024. Excluding the transitional measures, the ratio increased to 159%, compared with 149% as of Dec. 31, 2024. We expect the company's capital position to remain at least strong, underpinned by solid financial results and a prudent dividend policy going forward.

In our view, Harel has managed its investment portfolio conservatively. Looking at the nostro portfolio composition as of Sep. 30, 2025, government bonds constituting about 36.5% of invested assets, and total investment in bonds (government and corporate) is 67%. Other investments include equities and investment funds (about 14%), real estate (about 13%), and cash and other (about 6%). We regard these investments as well diversified among sectors and obligors.

We view the group as having a neutral funding structure and good access to capital markets, exemplified by frequent issuances. Based on our capital forecast, we estimate that Harel's financial leverage will remain below 40% over 2025-2026. Fixed-charge coverage is likely to remain well above 4.0x over the same period.

Harel and the wider Israeli insurance sector have shown resilience to the political and security situation in recent years. More recently, the U.S.-brokered ceasefire between Israel and Hamas could ease regional tensions and, in turn, reduce pressure on Israel's economy, labor market, and public finances. As a result, we revised the outlook on our rating on the Israeli sovereign to stable from negative on Nov. 7, 2025 (see "Israel Outlook Revised To Stable From Negative; 'A/A-1' Ratings Affirmed").

Outlook

The stable outlook on the Harel group indicates that we expect the group's profitability to stabilize at the higher 2024/2025 levels and that it will maintain its leading competitive position within the Israeli insurance market. Simultaneously, we think that Harel's capital and earnings to be sustained at least at a strong level.

Downside scenario

We could take a negative rating action over the next two years if:

- Profitability unexpectedly sustainably weakened;
- Our view of the group's capitalization weakened as result of investment or underwriting losses or higher asset risk taking; or
- The sovereign rating unexpectedly weakened by more than one notch.

Upside scenario

We view a positive rating action as unlikely over the next two years. An upgrade would hinge on a sustainably even stronger capital position, materially differentiated earnings levels from main peers, and significant further diversification through noninsurance income.

Rating Component Scores	
Business Risk Profile	**Strong**
Competitive position	Strong
IICRA	Intermediate risk
Financial Risk Profile	**Strong**
Capital and earnings	Very strong
Risk exposure	Moderately low
Funding structure	Neutral
Anchor	**a-**
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A-/Stable/--
Foreign currency financial strength rating	A-/Stable/--
Local currency issuer credit rating	A-/Stable/--
Foreign currency issuer credit rating	A-/Stable/--

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- 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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Financial Services Brief: Insurers And Banks In The Middle East Sit Tight As Israel-Iran Conflict Escalates, June 18, 2025
- Israel Outlook Revised To Stable From Negative; 'A/A-1' Ratings Affirmed, Nov. 7, 2025

Ratings List

Ratings List	
New Rating	
Harel Insurance Co. Ltd.	
Financial Strength Rating	A-/Stable/--
Harel Insurance Co. Ltd.	

Ratings List

Harel Insurance Funding and Issuance	
Issuer Credit Rating	A-/Stable/--