

Insurance Industry

OMAN

2020



# TABLE OF CONTENT



## SHMA Consulting

- About Us.....3
- Our Services.....4
- Limitation and Disclaimers.....5



## Performance Summary

- Performance Highlights.....6
- Industry Highlights.....7
- Industry Benchmark.....8
- Impact of Covid.....10



## Market Share & Premium

- Market Share.....11
- Gross Written Premium.....12
- Net Written Premium.....14
- Premium Retention Ratio.....16
- Net Earned Premium.....18



## Claims and Ratios

- Net Incurred Claims.....19
- Loss Ratio.....20
- Expense Ratio.....22
- Combined Ratio.....23



## Profitability Analysis

- Net Profit/(Loss).....24
- Asset, Liability and Equity Classification.....26
- Return on Assets and Equity.....28





## About Us

SHMA Consulting first offered actuarial services relating to insurance in Saudi Arabia in 2003, and currently provides actuarial services to 8 companies in Saudi Arabia, 11 insurance companies in the UAE and others insurance companies in the GCC (Kuwait, Oman, Qatar and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997. We are currently engaged with one of the biggest names in the UAE Insurance Sector, including, ADNIC, ADNTC, Orient, etc.

We provide a range of services to our valued business partners across the globe including Europe, the Middle East, Southeast Asia and the Far East. Our specialty services include financial reporting, product and business development and enterprise risk management. In addition, our firm provides expert personnel outsourcing for allowing organizations to engage in full-time consulting for long-term cost effectiveness.

### Life Insurance

- IFRS, statutory & embedded valuations
- Product development, pricing & reserving
- Experience studies
- Advising on agency & broker compensation structures, reinsurance arrangements, underwriting policies and capital adequacy.

- Actuarial reserving and certifications
- Underwriting and pricing solutions
- Data and predictive analytics
- Advising on reinsurance arrangements, underwriting and claims practices
- Profitability and capital adequacy analysis

### General Insurance

## Our Services

### Retirement Benefits

- Valuations for financial reporting
- Advise on benefit design and cost benefit analysis
- Pension benefits administration
- Benefit communication material
- Provident fund maintenance software and audit of retirement schemes and funds

- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

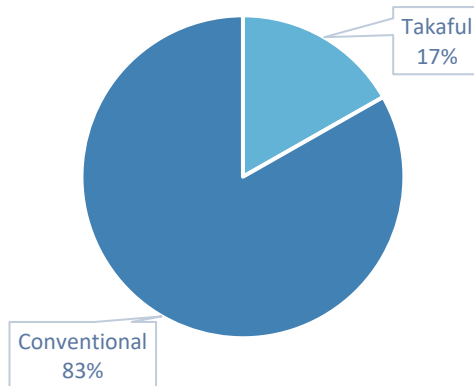
### ERM and Capital Modeling

## Limitations and Disclaimers

- ❖ The data used for the preparation of this report has been collected from Mascot Stock Exchange.
- ❖ The data represented in this report gathered from publicly available information and the financial statement released by the company.
- ❖ The information, materials and opinions presented in this report are for general information purposes only, are not intended to constitute legal or other professional advice and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. Although we make reasonable efforts to update the information in this report.

# Performance Highlights

## Takaful vs Conventional Business



## Total Profit / Loss

OMR 33 Mn

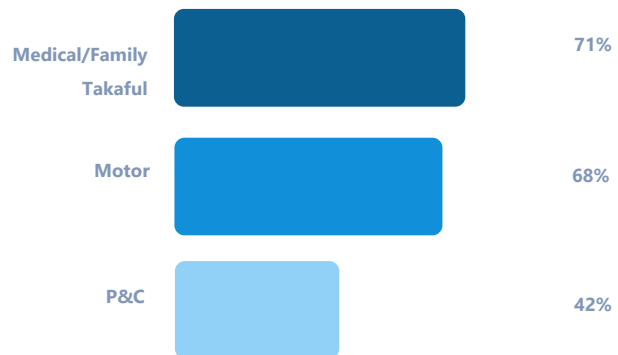


## Total Gross Written Premium

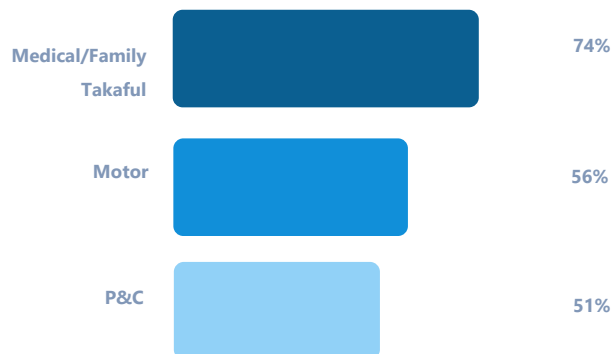
OMR 387 Mn

▼ -4.18%

## Retention Ratio



## Loss Ratio



## Combined Ratio



## Total Assets

OMR 906 Mn

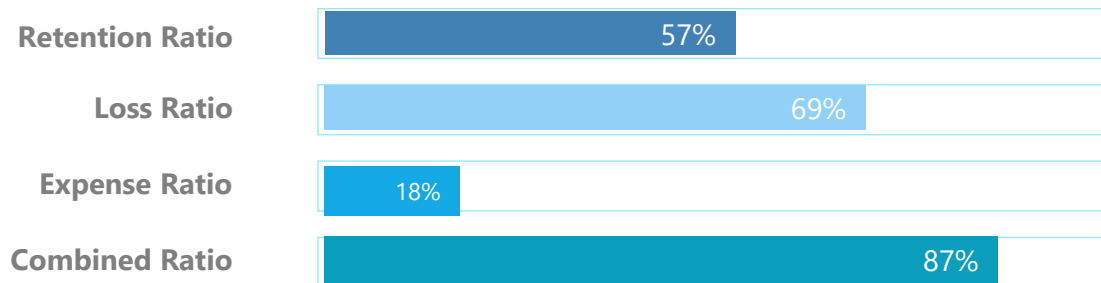
▼ -0.77%

# Industry Highlights

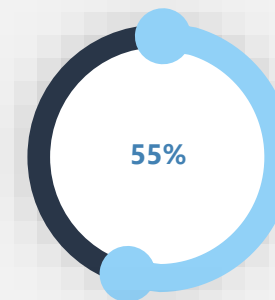
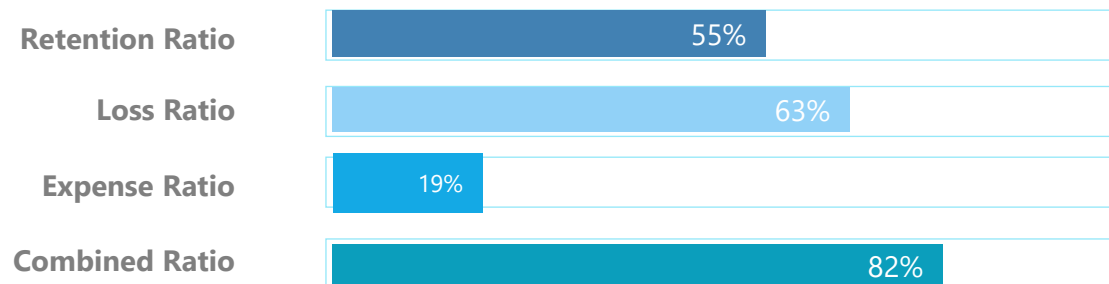
- ❖ The Omani Capital Market Authority (CMA) has launched a new web application called "etaameen", which allows policyholders to underwrite motor policies online. Policies can now be underwritten online through the application <https://www.etaameen.om/en>. The solution is accessible via the internet and smartphones (Android and iOS).
- ❖ The Omani Capital Market Authority (CMA) has created an online payment service for health insurance policies called "Dhamani". Dhamani is an electronic platform set for the exchange of information, claims settlement, and transfer of funds between Omani insurance companies, health organizations and supervisory and regulatory institutions.
- ❖ The AXA group and the Omani Bank Muscat have signed an agreement. The partnership allows the bank to provide its customers with motor insurance products designed by the French insurer. The marketed policies include a series of benefits such as 24/7 roadside assistance and breakdown service, coverage against bad weather such as storms and floods (STF), provision of a rental car in case of an accident, etc.
- ❖ In collaboration with the ILO, the Sultanate of Oman has introduced its first unemployment insurance scheme. The program will come into effect on 1 November 2020 and aims to protect the insured who have lost their jobs due to the pandemic. The coverage includes the employees in the private, public and security sectors.
- ❖ Omani regulatory authorities are now imposing a mandatory health insurance policy that includes the treatment of COVID-19 for visitors as of 1 October 2020. Omani citizens traveling overseas are also subject to this requirement. Some local insurers have already started providing coverage for coronavirus testing and treatment. Travel agencies are currently working with insurance companies to provide packages that include COVID-19 health coverage. The cost of the PCR test is 25 OMR (64.7 USD).

# Industry Benchmark

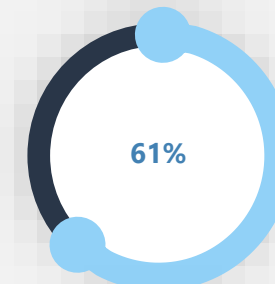
## 2019



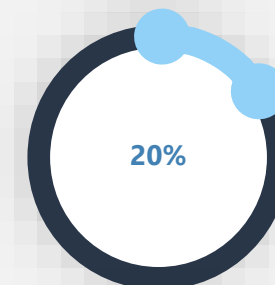
## 2020



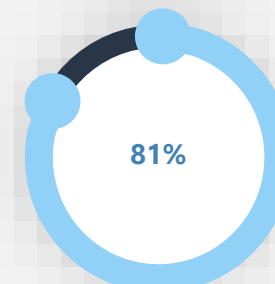
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

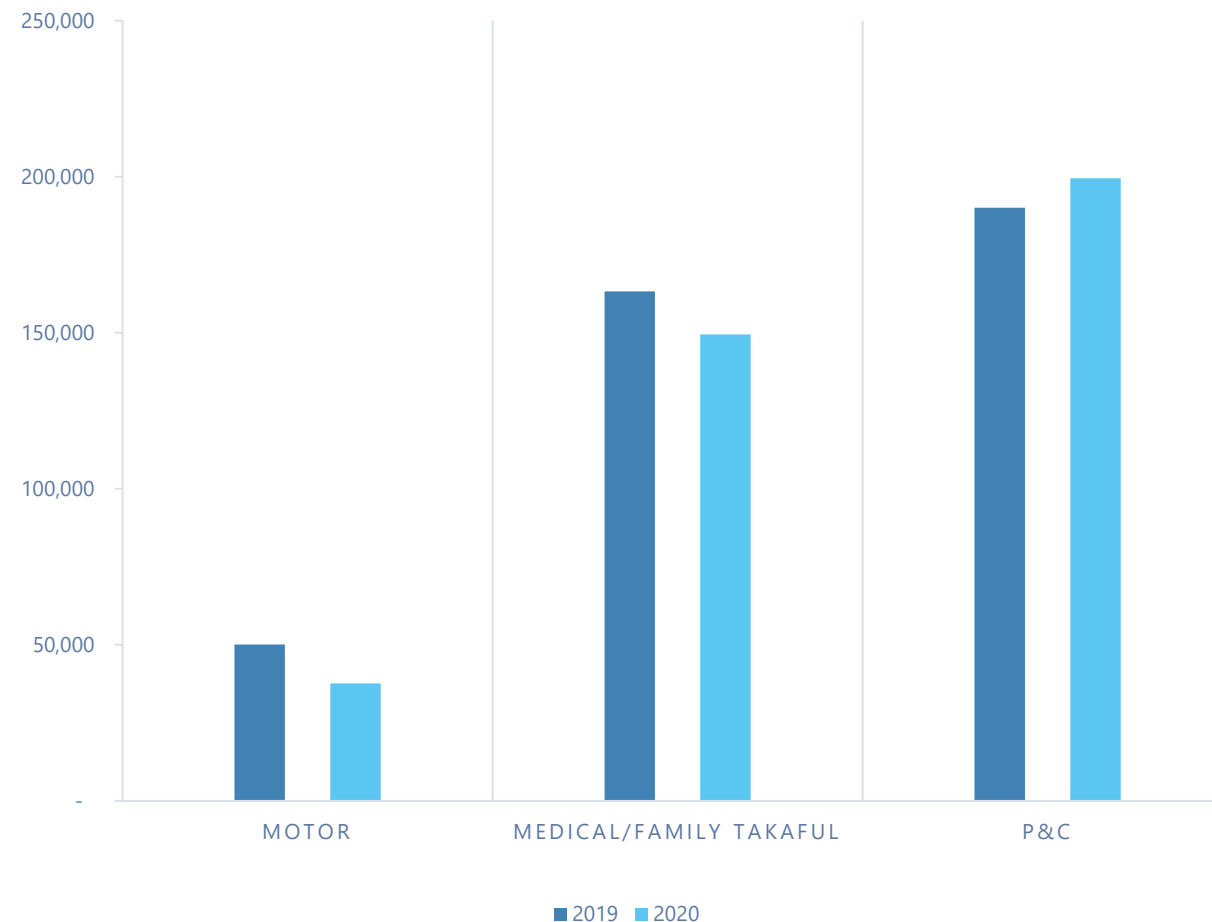


Weighted Average Combined Ratio



# Gross Premium and Ranking

1. National Life and General Insurance	■
2. Dhofar Insurance	■
3. Al Madina Insurance	■
4. Oman Qatar Insurance	▲
5. Oman United Insurance	▼
6. Takaful Oman Insurance	▲
7. Vision Insurance	▼
8. Al Ahlia Insurance	■
9. Arabia Falcon Insurance	▲
10. Muscat Insurance	▼

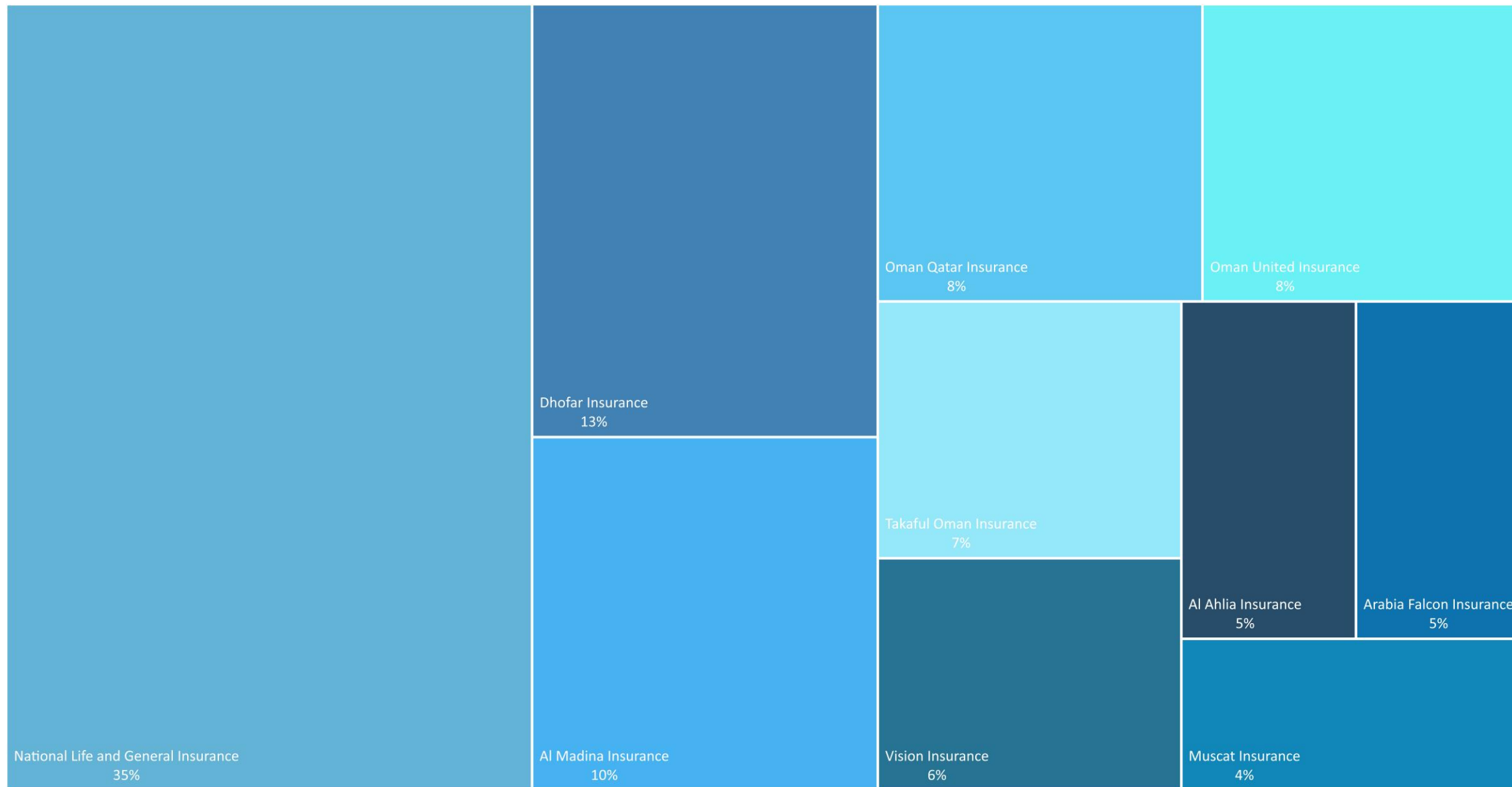


“ National Life and General Insurance, Dhofar Insurance and Al Madina Insurance retained their positions of being the top 3 insurance companies in Oman. Most of the gross written premium comes from the Medical/Family Takaful Line of Business, while Motor provides 3 to 4 times less of the gross written premium of Medical/Family Takaful. ”

# Impact of Covid-19

- ❖ The ongoing COVID-19 Pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus (COVID-19) outbreak as a pandemic in recognition of its rapid spread across the globe. Governments all over the world took steps to contain the spread of the virus. The insurers are closely monitoring the situation and have activated their business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.
- ❖ The insurers may be impacted by any policies, practices, laws, or regulations introduced by governments that require or compel insurers to defer insurance premiums, pay claims in relation to COVID-19 losses which would not otherwise be payable under the relevant policy or in the normal course of business. The extent of the impact on our business and results of operations is largely dependent on the evolving future developments and the actions taken globally to address its impact.

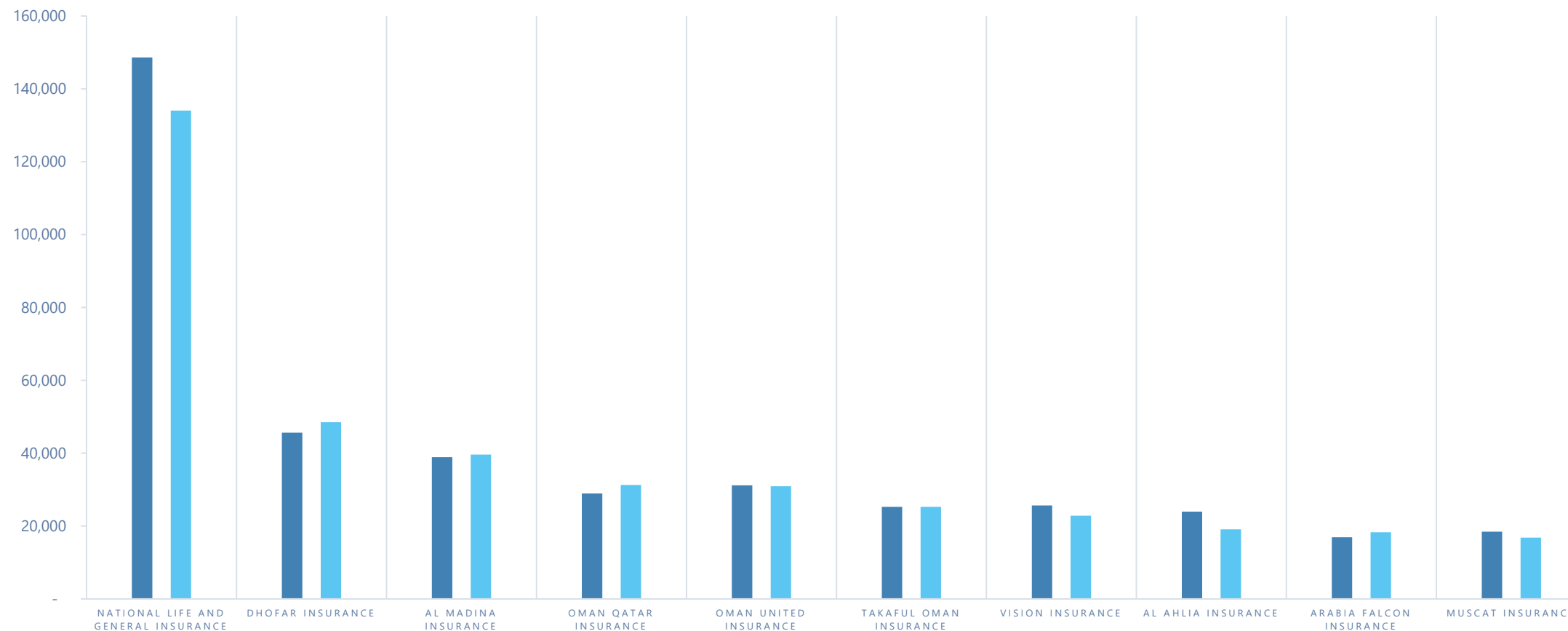
# Market Share Proportion



# Gross Premium

(OMR 000's)

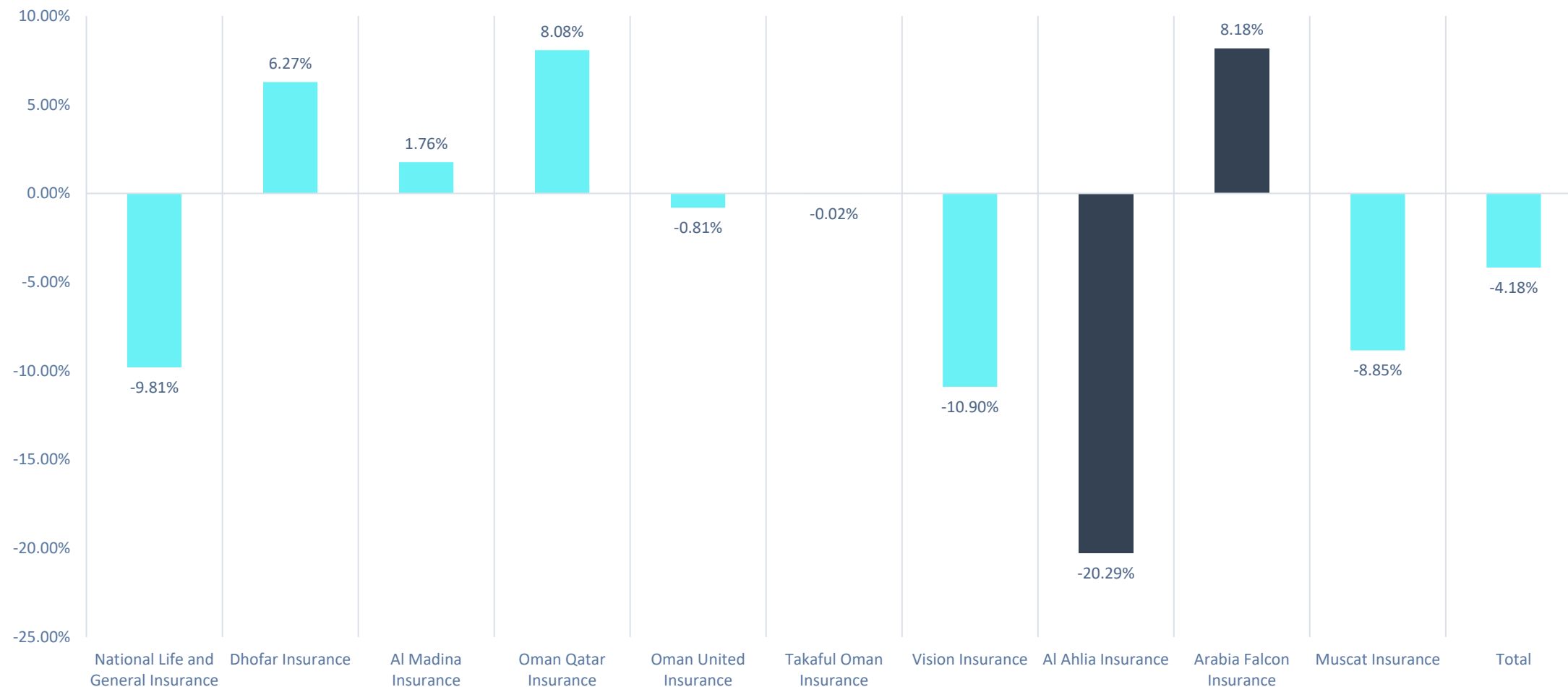
■ 2019 ■ 2020



Major Share of the total gross written premium in Oman's insurance industry belongs to National Life and General Insurance (37% in 2019 and 35% in 2020), followed by Dhofar Insurance. Arabia Falcon Insurance had the lowest market share in 2019, while Muscat Insurance had the lowest market share in 2020.



## Gross Premium – Growth



“

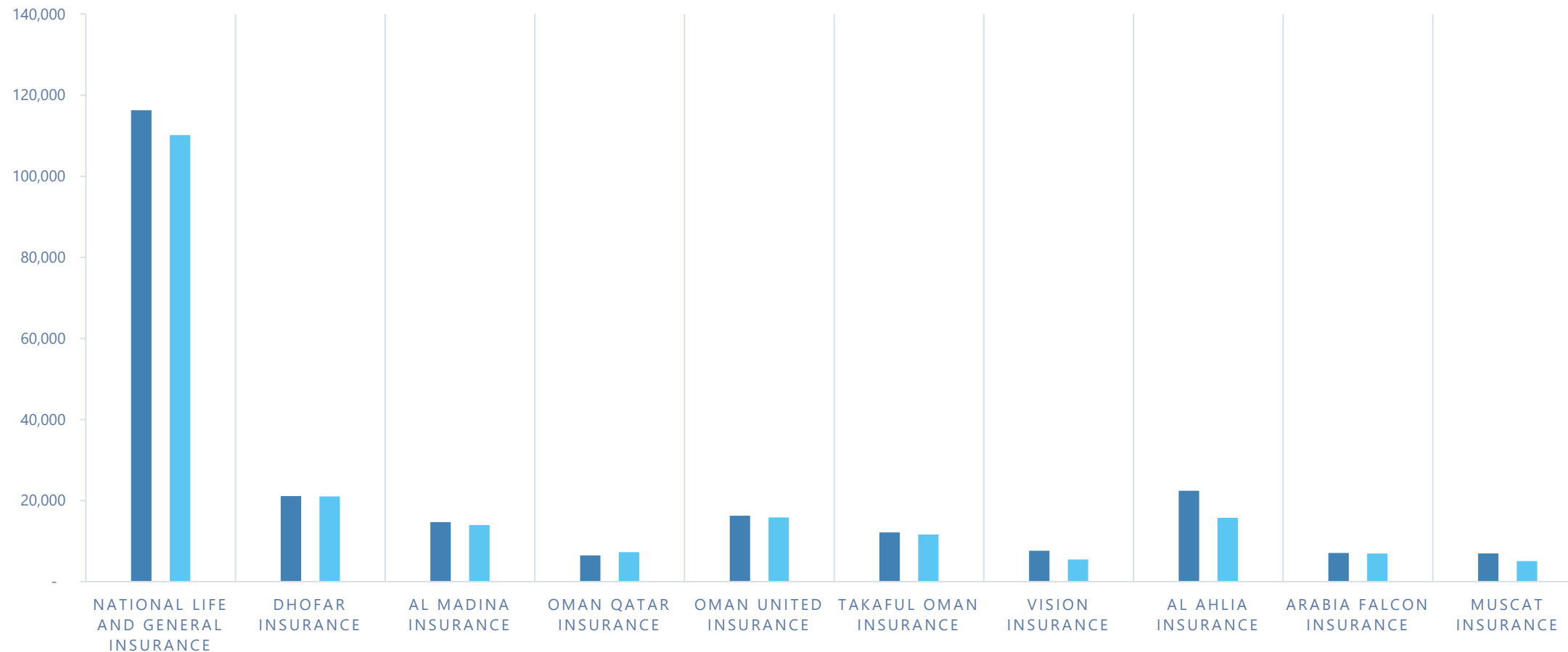
Arabia Falcon Insurance experienced the highest growth rate in its gross premium (8.18%), while Al Ahlia Insurance experienced the lowest growth rate (-20.29%). Compared to 2019, most of the Insurance Companies in Oman experienced negative growth in their gross premium, which could be attributed to COVID-19.

”

# Net Premium

(OMR 000's)

■ 2019 ■ 2020

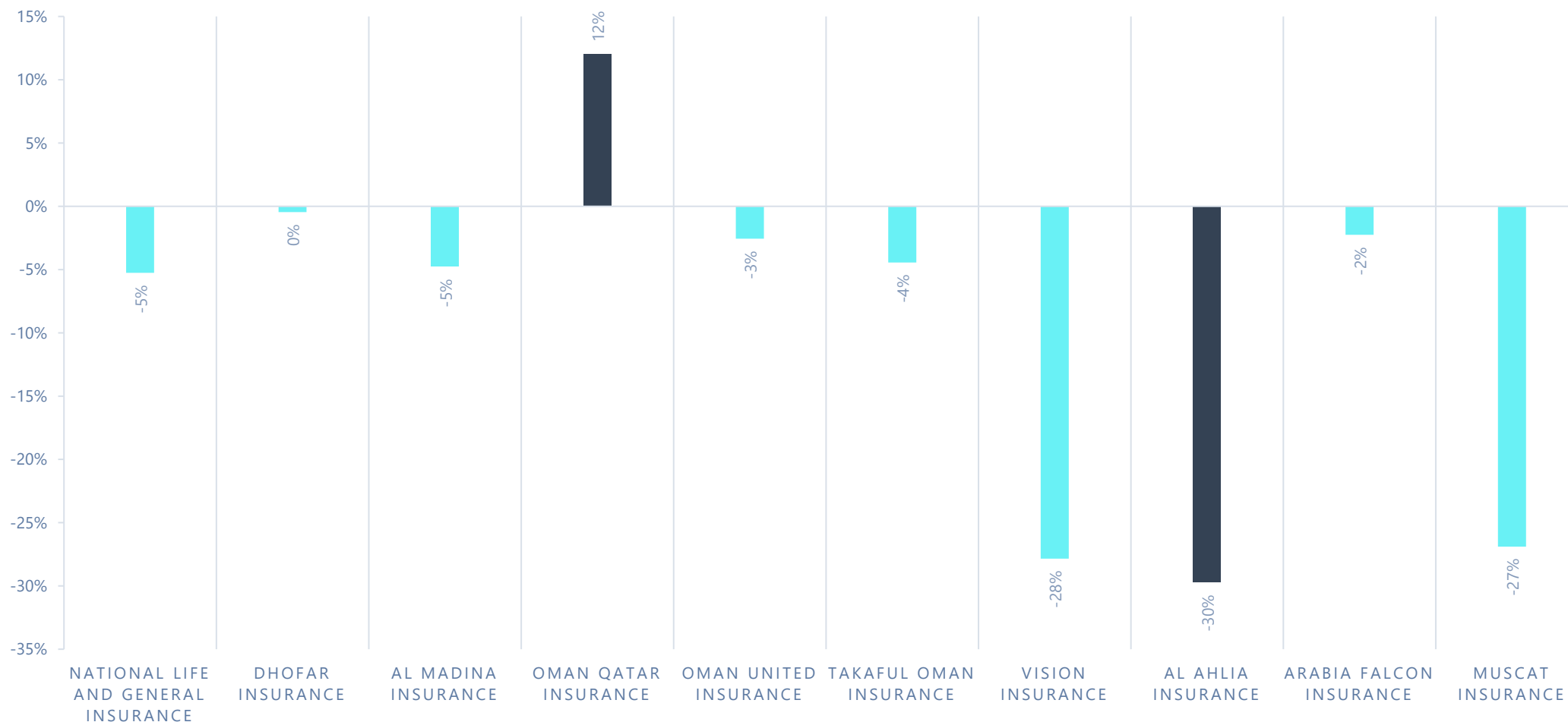


“

There hasn't been a significant change in the net premiums except for Al Ahlia Insurance and Vision Insurance. Similar to the Gross Premiums, the highest net premium is observed for National Life and General Insurance. The lowest net premium for the year 2019 was observed for Oman Qatar Insurance, while the lowest net premium for the year 2020 was for Muscat Insurance,

”

## Net Premium – Movement

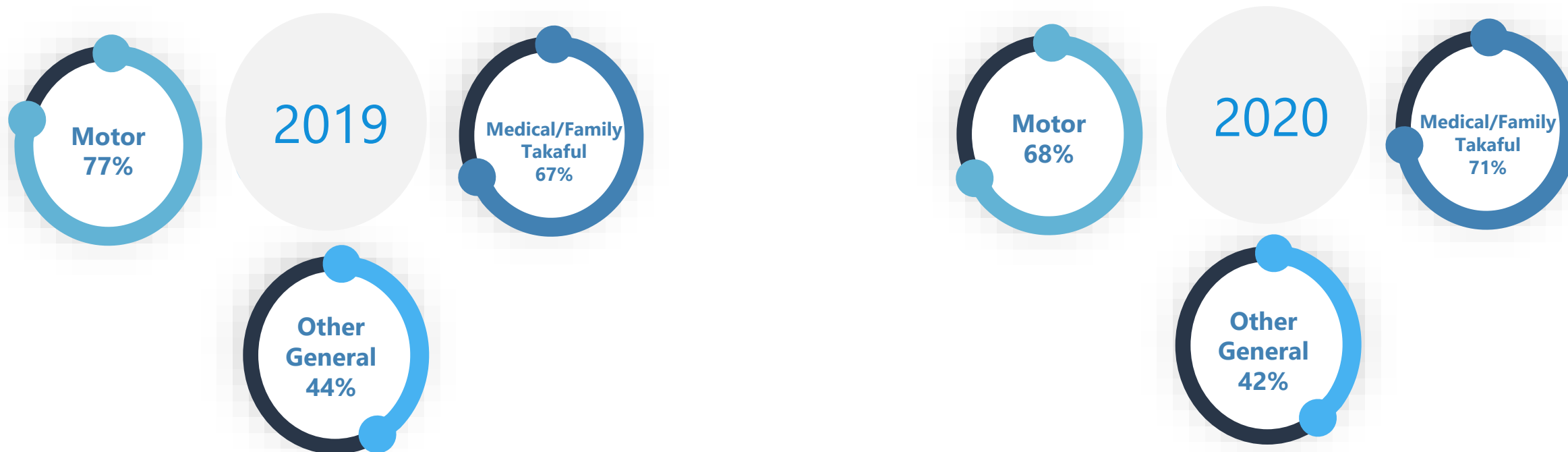


“

The reduction in Net Premium for Al Ahlia Insurance was the greatest, followed by Vision Insurance and Muscat Insurance. Oman Qatar Insurance experienced an increase of 12% which is the greatest among the insurance industries in Oman. Net Premium decreased for all the companies except Oman Qatar Insurance.

”

## Retention Ratio



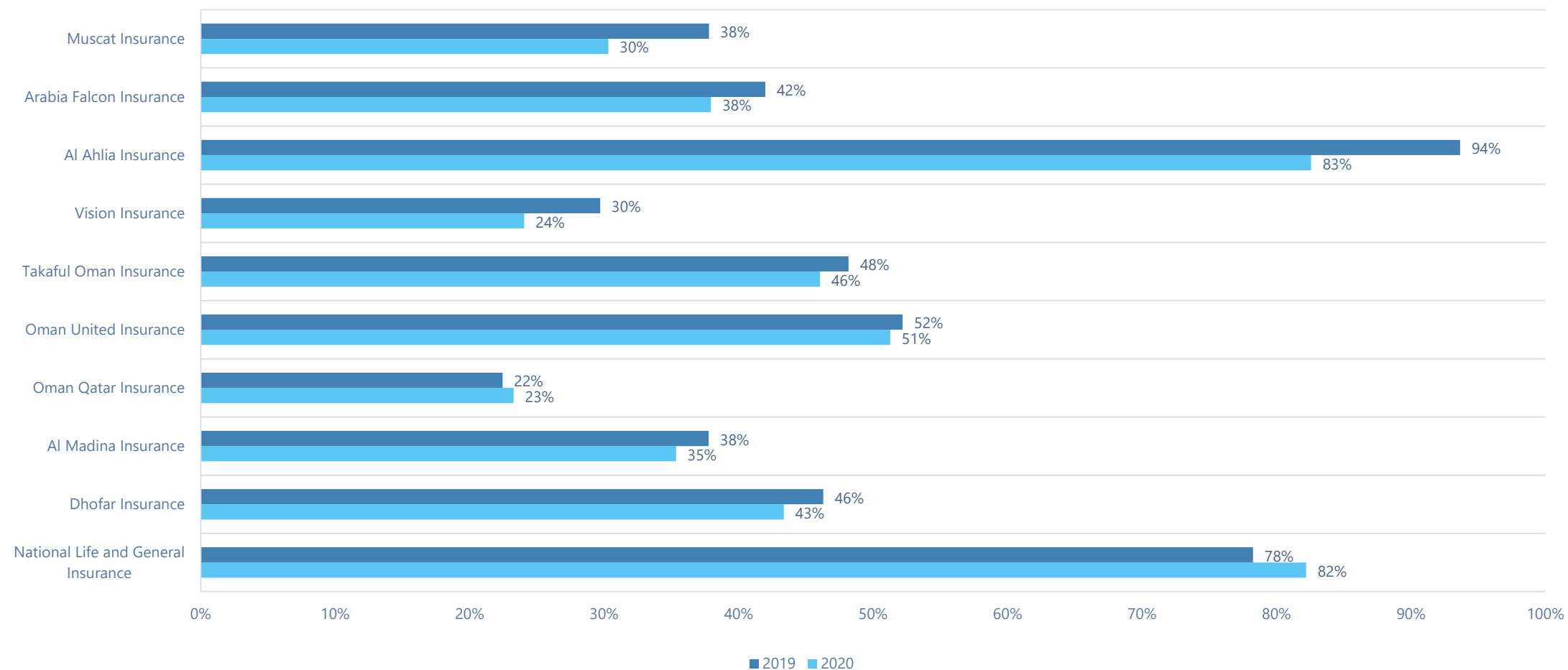
“

The retention ratio for all lines of businesses decreased except for the Medical line of business which experienced an increase of 4%.

”



# Retention Ratios



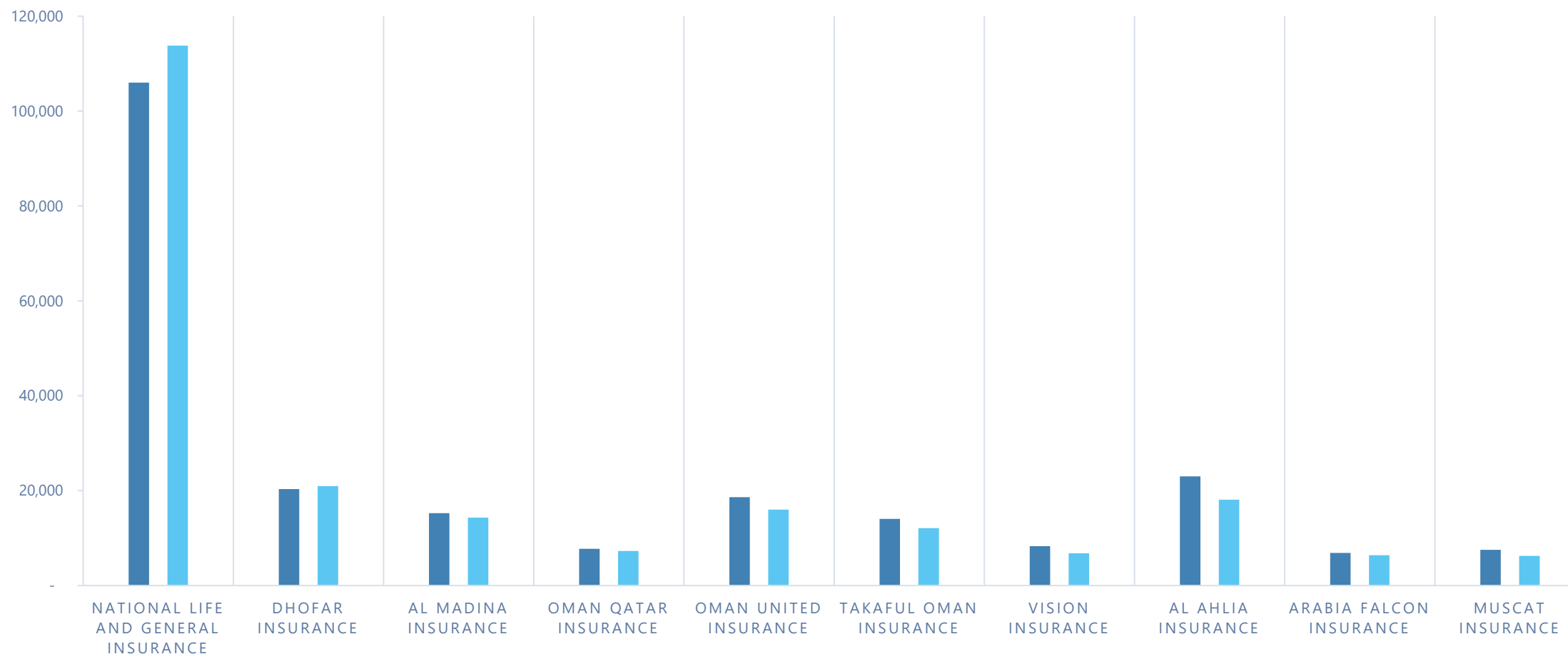
Al Ahlia Insurance retained most of its business in 2019 and 2020 (83% and 94% respectively), while Oman Qatar Insurance ceded most of its business (22% in 2019 and 23% in 2020). The retention ratio for most of the companies is less than 50%.



# Net Earned Premium

(OMR 000's)

■ 2019 ■ 2020



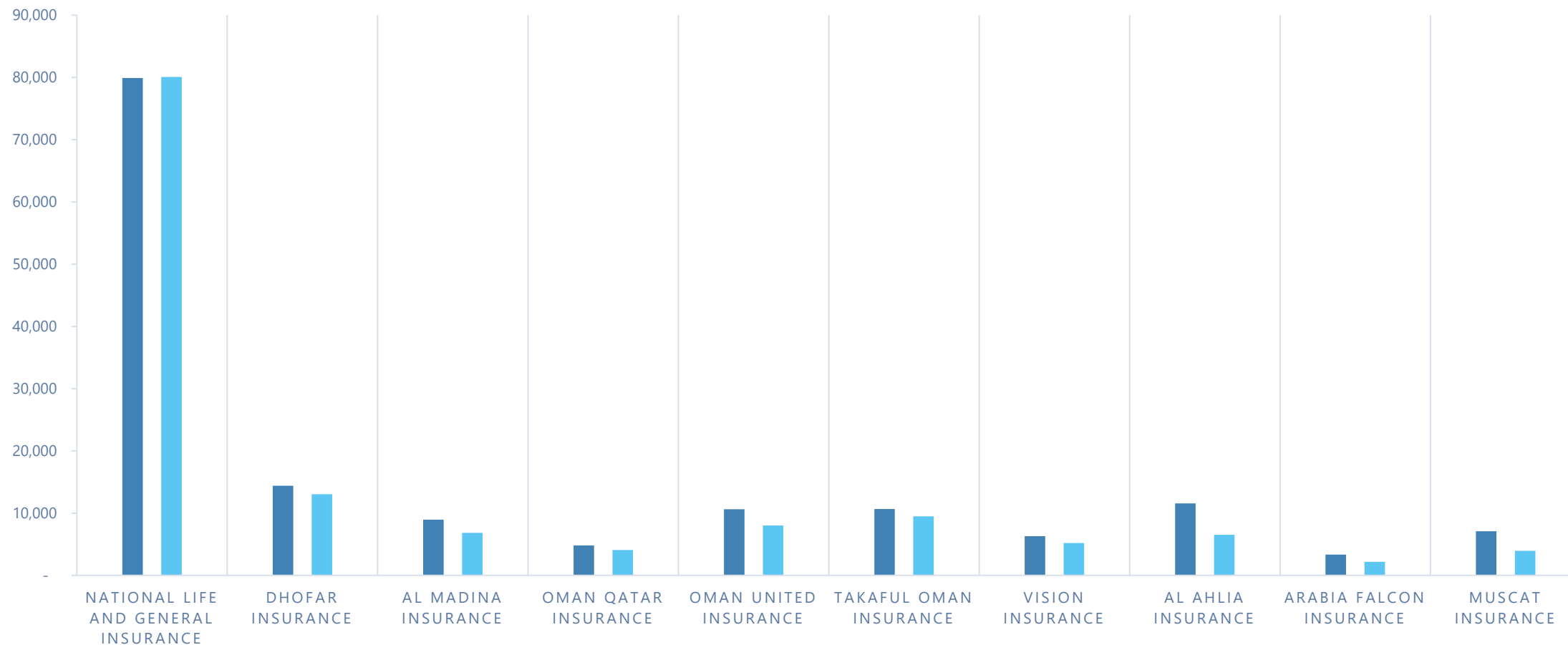
Net Earned Premium was the highest for National Life and General Insurance being 106 million and 114 million in 2019 and 2020, respectively. The lowest Net Earned Premium was for Arabia Falcon Insurance in 2019 and Muscat Insurance in 2020. Net Earned Premium declined for all the companies except National Life and General Insurance and Dhofar Insurance.



# Net Incurred Claims

(OMR 000's)

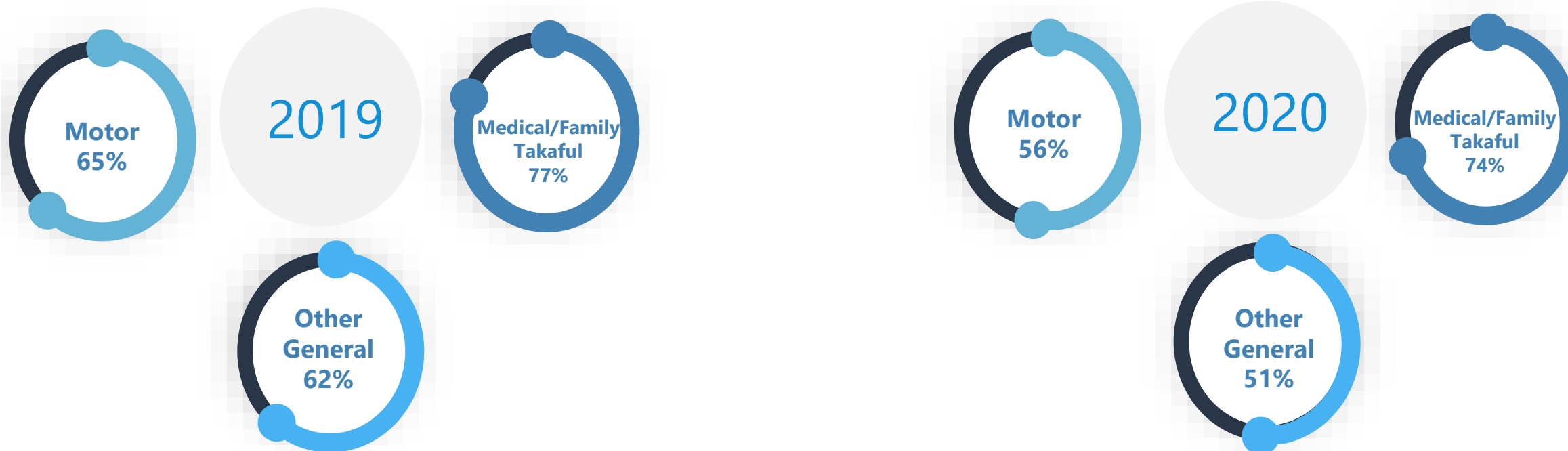
■ 2019 ■ 2020



“ Net Incurred Claims was the highest for National Life and General Insurance being 80 million in 2019 and 2020. The lowest net incurred claims were for Arabia Falcon Insurance in 2019 and 2020. Net Incurred Claims decreased for all the companies except National Life and General Insurance.

”

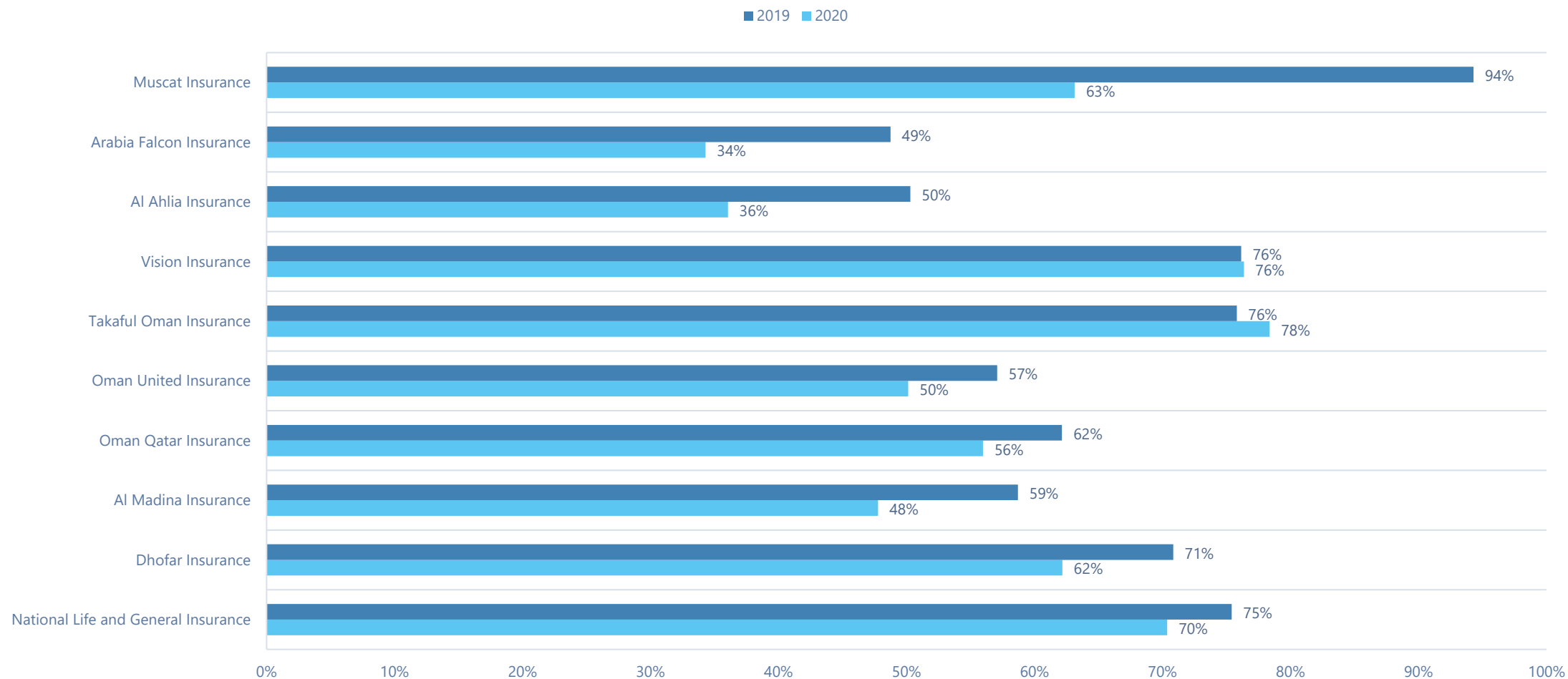
## Loss Ratios



“ Loss Ratios declined for all the lines of businesses in 2020 with a decrease of 9%, 11% and 3% in Motor, Other General and Medical, respectively. Medical had the highest loss ratio, followed by Motor and Other General in both the years.

”

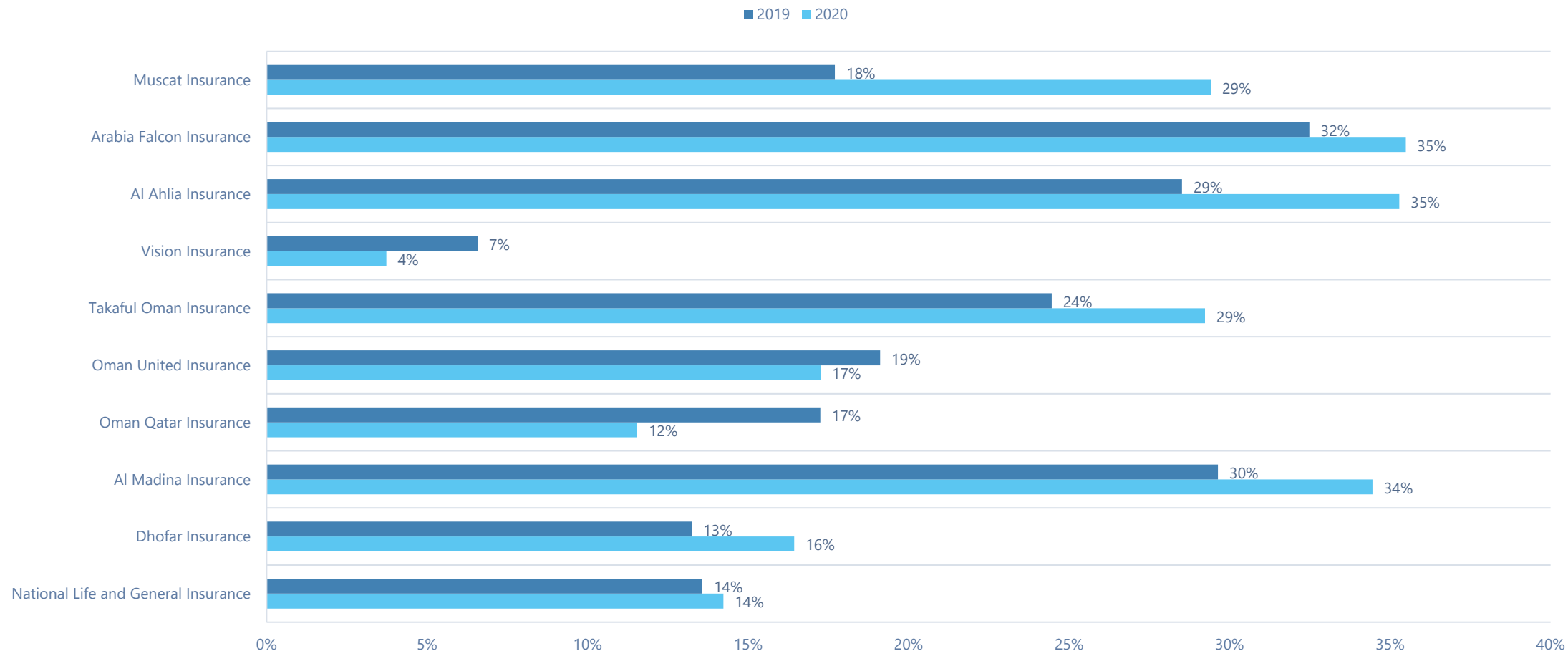
# Loss Ratios



In 2019, the highest loss ratio was for Muscat Insurance (94%), and the lowest was for Arabia Falcon Insurance (49%). In 2020, the highest loss ratio was for Takaful Oman Insurance (78%), and the lowest was for Arabia Falcon Insurance (34%). Loss ratios for all the companies declined except for Takaful Oman Insurance. Muscat Insurance was able to greatly improve its position by decreasing its loss ratio by 31%.



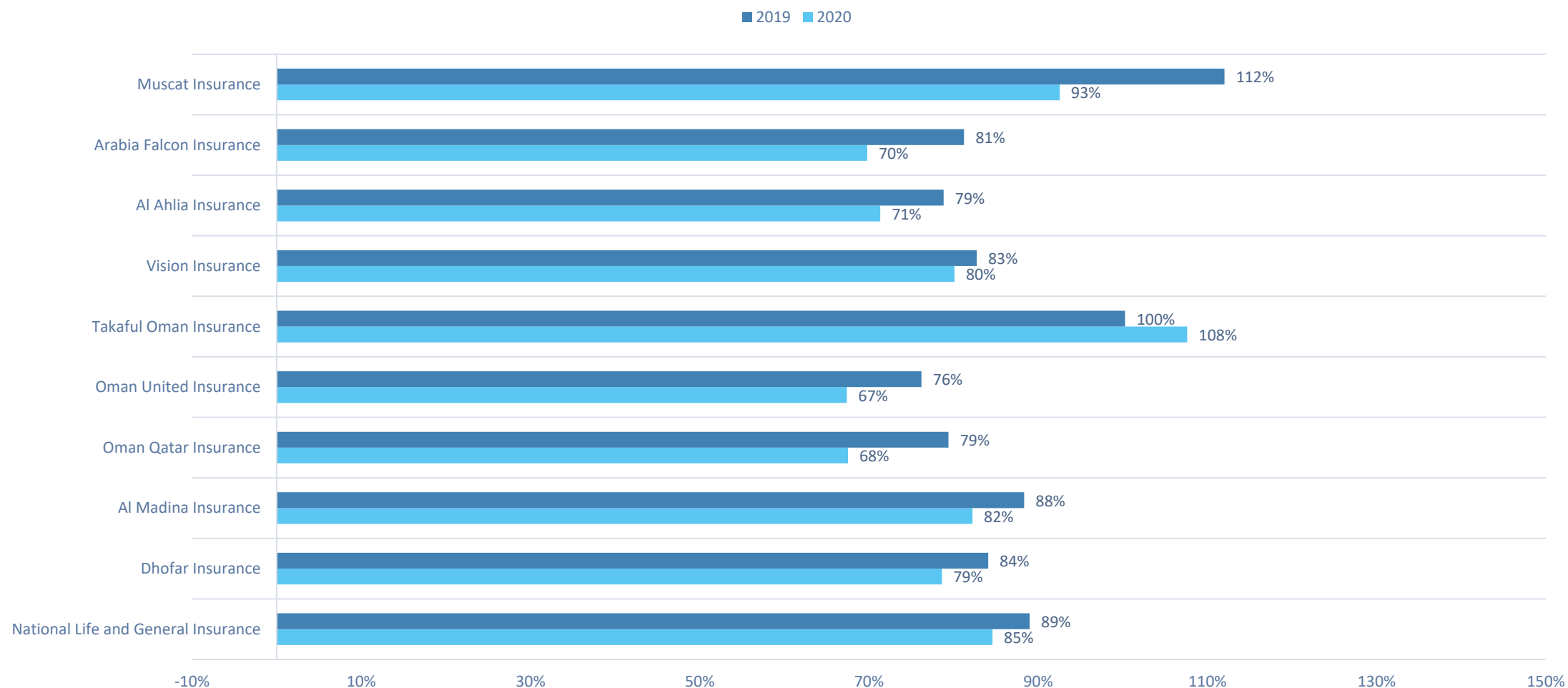
# Expense Ratio



In 2020, the highest expense ratio was for Arabia Falcon Insurance and Al Ahlia Insurance (35%) and the lowest was for Vision Insurance (4%). In 2019, the highest expense ratio was for Arabia Falcon Insurance (32%) and the lowest was for Vision Insurance (7%). Expense Ratios for all the companies increased except for Vision Insurance, Oman United Insurance and Oman Qatar Insurance. Muscat Insurance expense ratio increased the most by about 11%.



## Combined Ratios



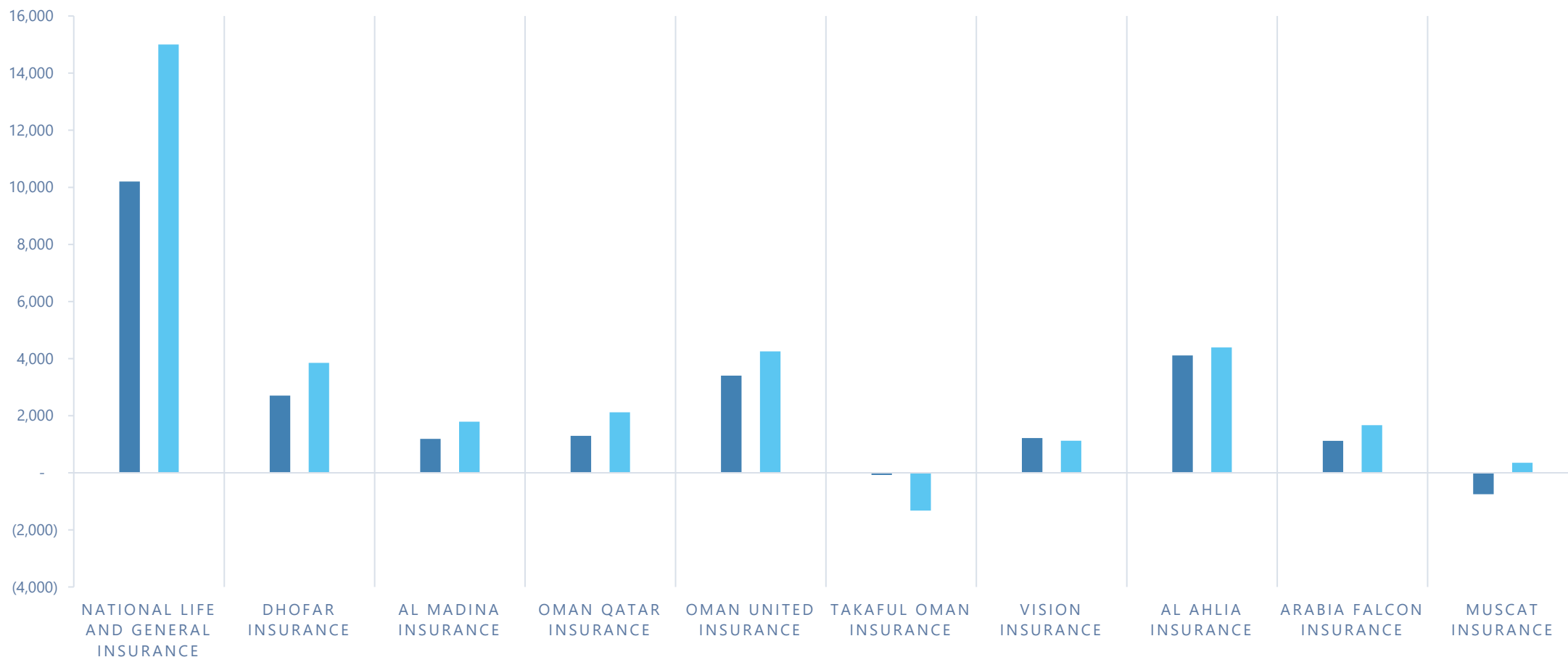
“ In 2019, the highest combined ratio was for Muscat Insurance (112%) and the lowest was for Oman United Insurance (76%). In 2020, the highest combined ratio was for Takaful Oman Insurance (108%) and the lowest was for Oman United Insurance (67%). Combined Ratios for all the companies declined except for Takaful Oman Insurance. Although Muscat Insurance was able to improve its position by decreasing its combined ratio by 19%, the ratio is near to 100%. By reducing its combined ratio by 8%, Takaful Oman Insurance was able to reduce it to 100%.”

”

# Net Profit/Loss

(OMR 000's)

■ 2019 ■ 2020

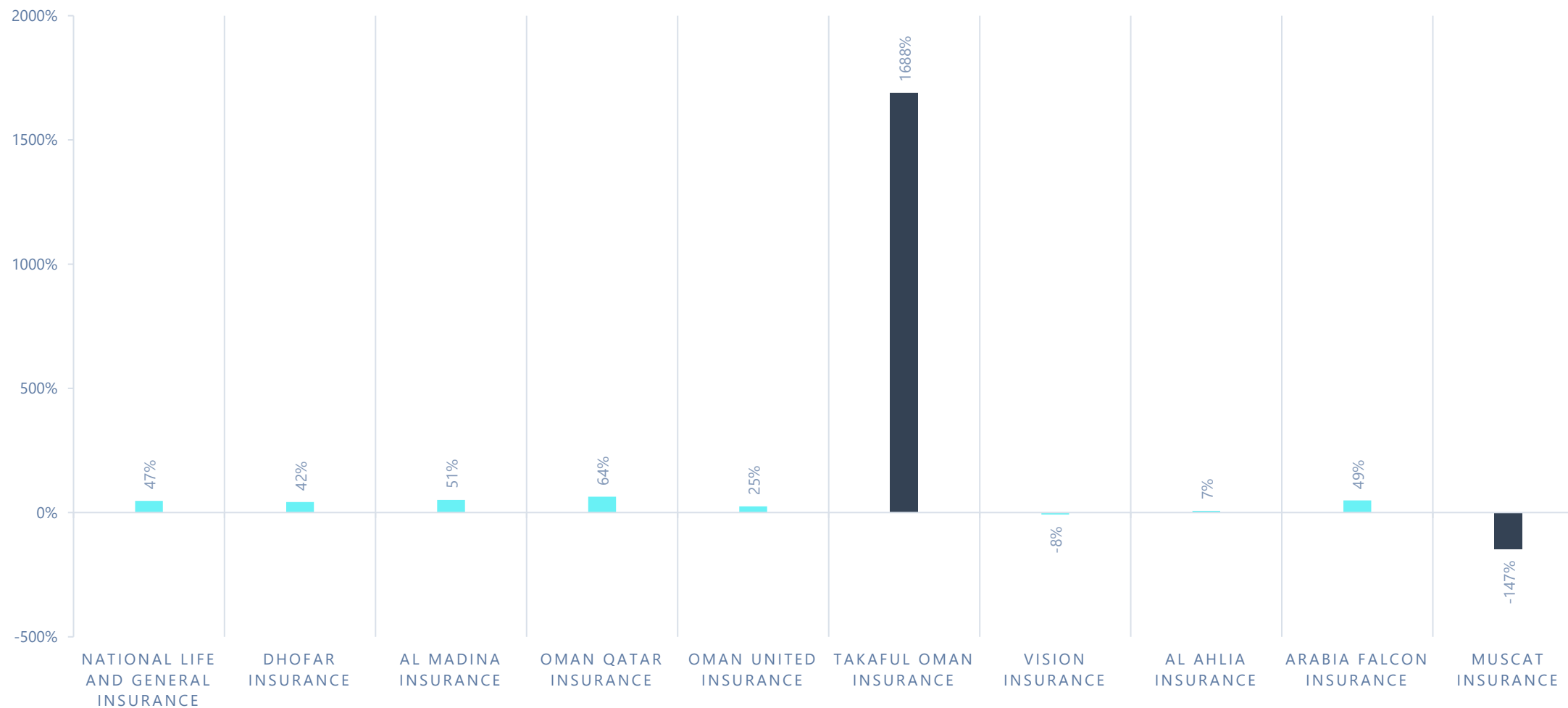


Net profit was the highest for National Life and General Insurance, being 10 million in 2019 and 15 million in 2020. The lowest net profit was for Muscat Insurance in 2019 and Takaful Oman Insurance in 2020. Net profit increased for all the companies except for Takaful Oman Insurance and Vision Insurance.





## Net Profit/(Loss) - Movement

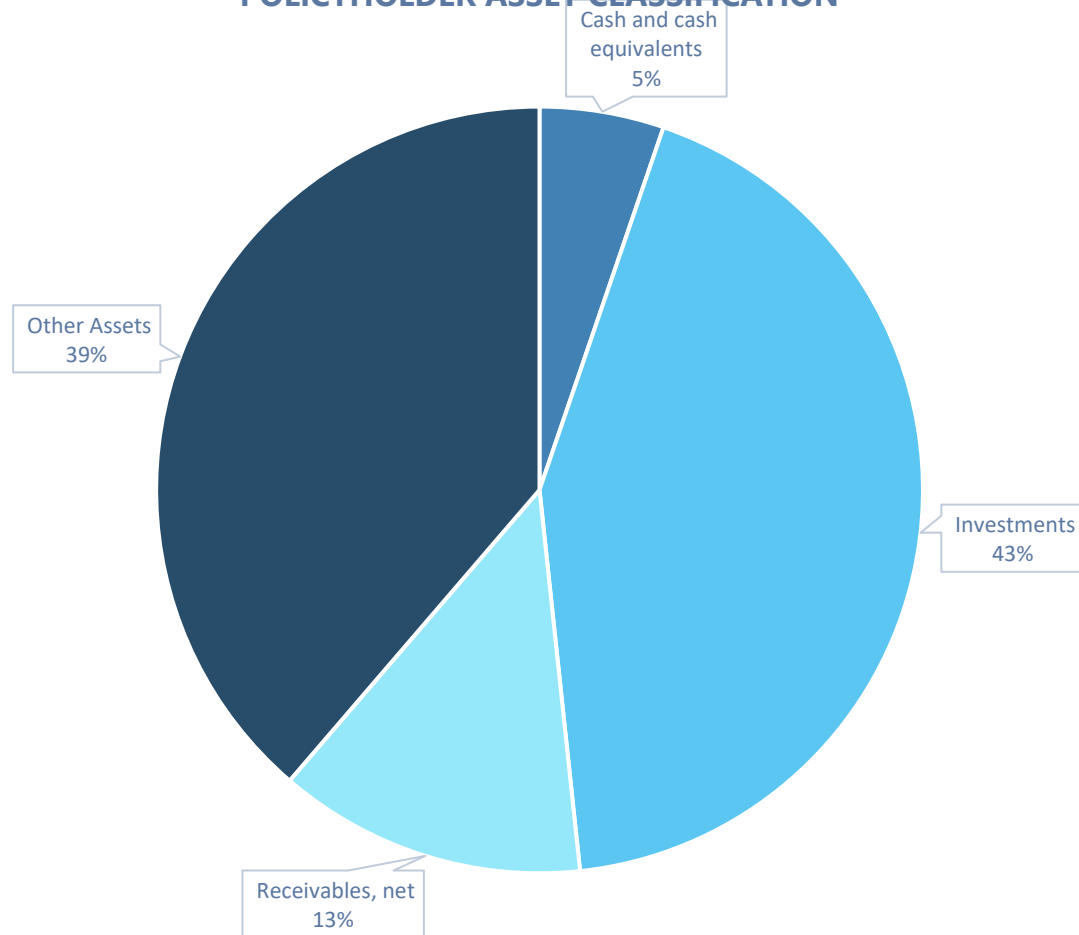


The greatest movement in Net Profit was for Takaful Oman Insurance which further decreased by about 17 times its net loss in 2019 followed by a Muscat Insurance with a decrease of 147%.

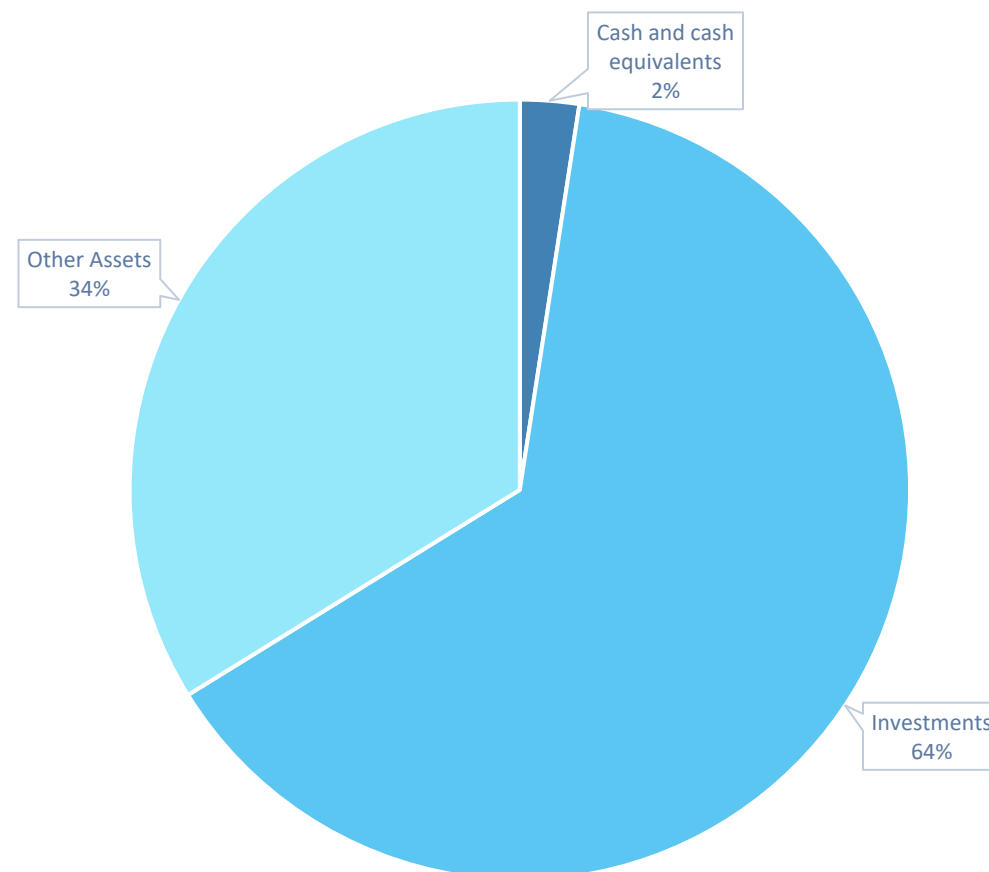


# Asset Classification - Aggregate

## POLICYHOLDER ASSET CLASSIFICATION



## SHAREHOLDER ASSET CLASSIFICATION

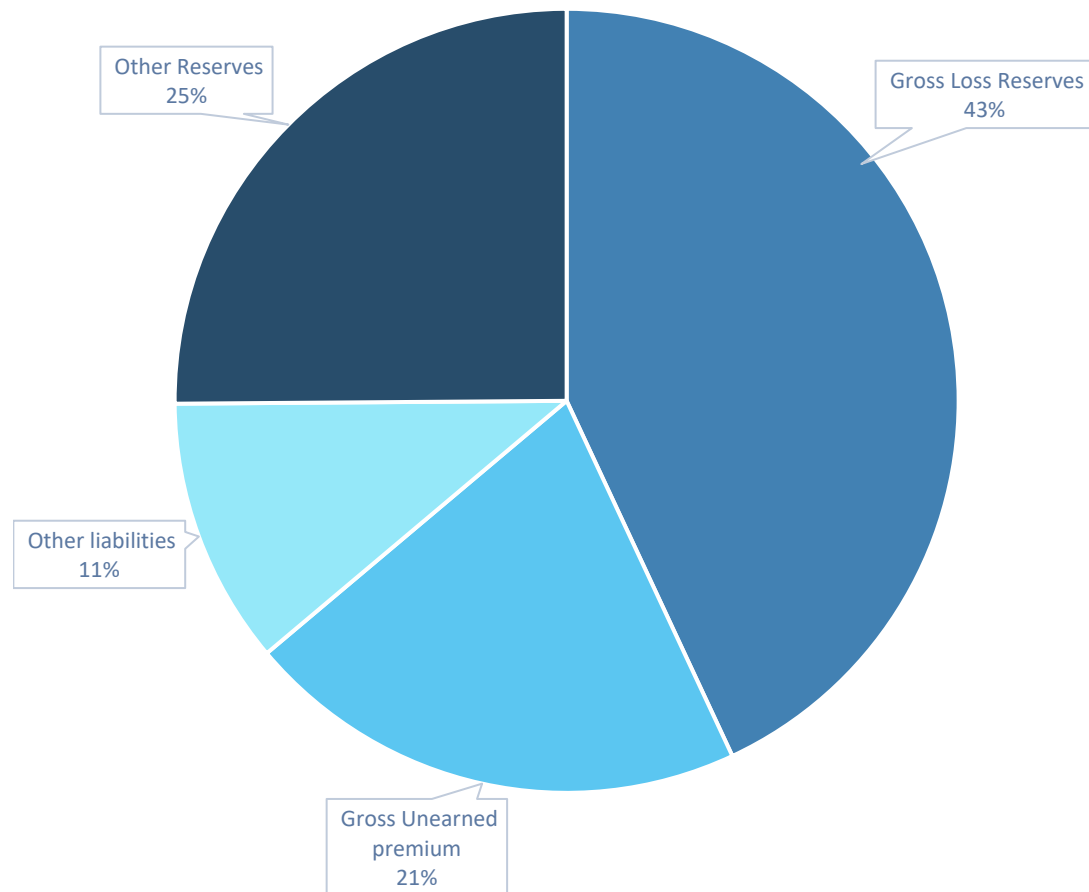


About 43% of policyholder assets relate to investments, 13% to Receivables, 5% to Cash and Cash equivalents and 39% to other assets. For Shareholder assets, 64% of the assets relate to investments, 2% to cash and cash equivalent, and 34% to Other Assets. Investments constitute most of the part of the policyholder and shareholder assets.

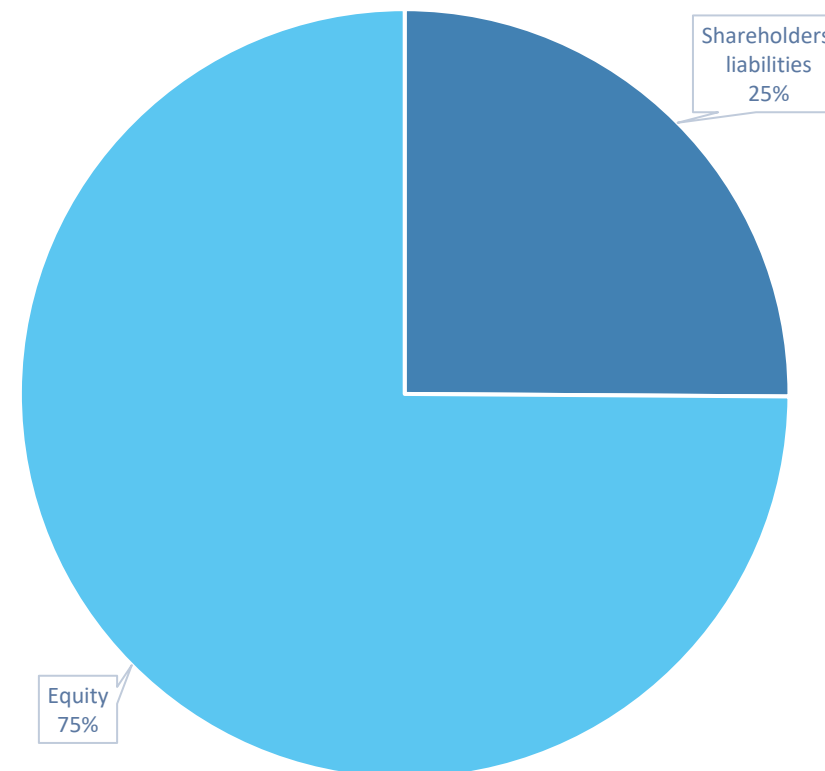


# Liability and Equity Classification - Aggregate

## POLICYHOLDER LIABILITY CLASSIFICATION



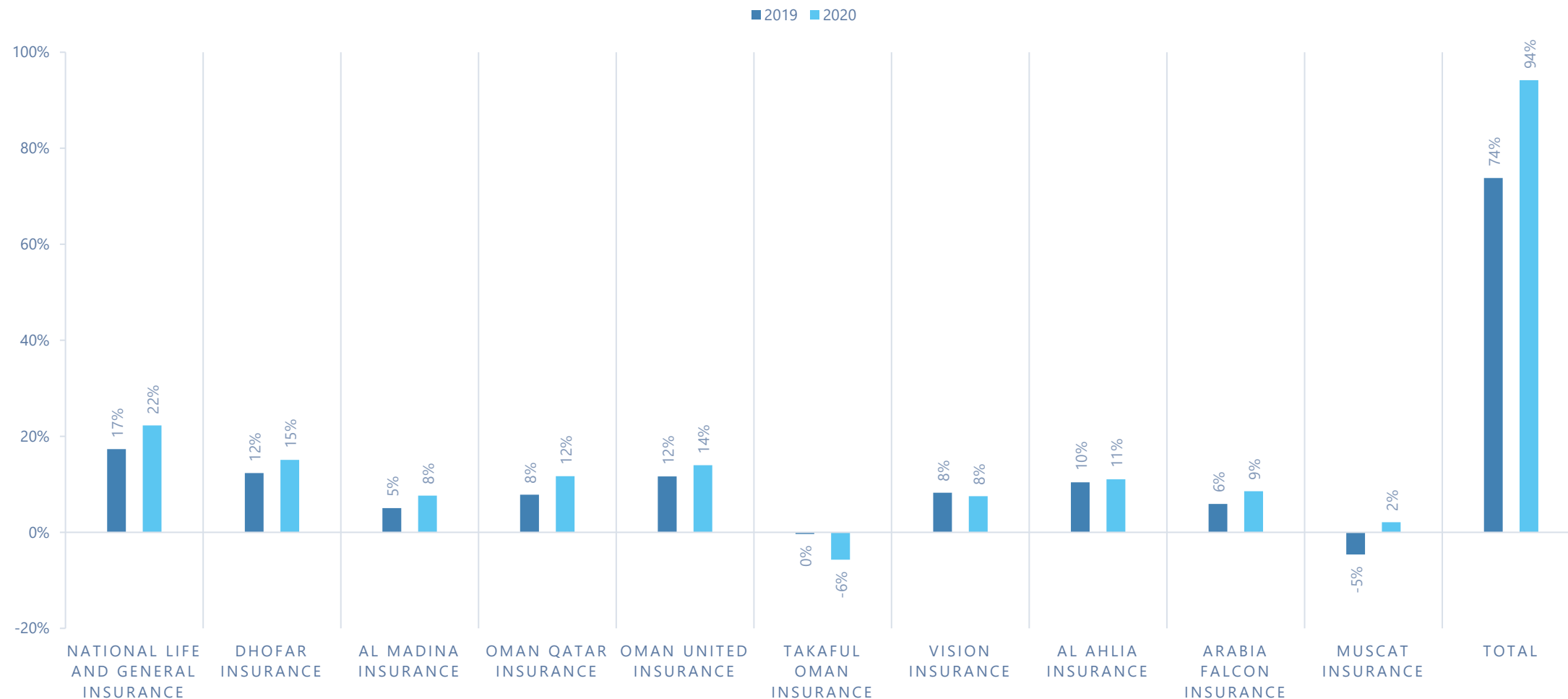
## SHAREHOLDER LIABILITY & EQUITY CLASSIFICATION



About 69% of the assets are financed by liabilities, and about 31% are financed by equity. Moreover, reserves constitute more than half (68%) of the total liabilities.



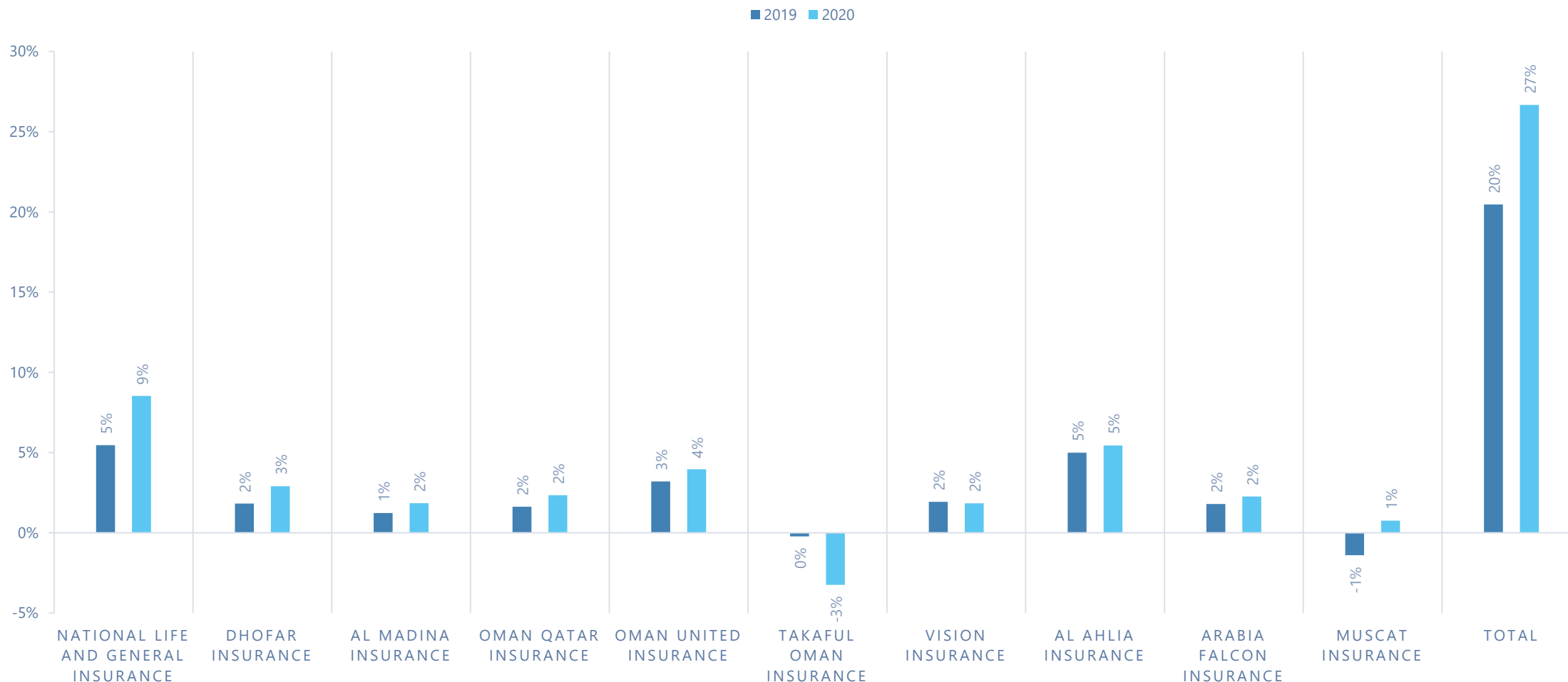
# Return on Equity (ROE)



The Return On Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on equity signifies how good the company is in generating returns on the investment it received from its shareholders. Return on Equity for Vision Insurance remained constant (8%). National Life and General Insurance company were able to utilize its equity better than the remaining companies in 2019 and further improved its performance in 2020 by increasing ROE by 5%. Muscat Insurance had a negative ROE in 2019, however, in 2020, ROE stands at 2%. ROE for all the companies increased except for Takaful Oman Insurance.



# Return on Asset (ROA)



“

Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. Return on Assets for Vision Insurance, Al Ahlia Insurance, Arabia Falcon Insurance and Oman Qatar Insurance remained constant (2% for all the mentioned companies and 5% for Al Ahlia Insurance). National Life and General Insurance company were able to utilize its assets better than the remaining companies in 2019 and further improved its performance in 2020 by increasing ROA by 4%. Muscat Insurance had a negative ROA in 2019, however, in 2020, ROA increased to 1%. ROA for all the companies increased except for Takaful Oman Insurance.

”



# Meet the Team

Ali Zeeshan ASA, AIA, APSA,  
Manager

Zaid Muzammil  
Assistant Manager

Inam Elahi  
Actuarial Analyst

Muhammad Umar  
Actuarial Analyst

Priyam Jain  
Actuarial Internee

# SHMACONSULTING

## Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – OMAN for the Year-End 2020. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

We welcome your feedback on the analysis presented in this report.



<https://www.linkedin.com/company/shma-consulting/>



[www.shmaconsulting.com](http://www.shmaconsulting.com)

## About Us

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997.



[info@shmaconsulting.com](mailto:info@shmaconsulting.com)  
P.O. Box 340505, Dubai, UAE



+971 56 183 1095, +971 52 831 4612