

SHMACONSULTING



Growth Through Knowledge

Insurance Industry

Oman

2021

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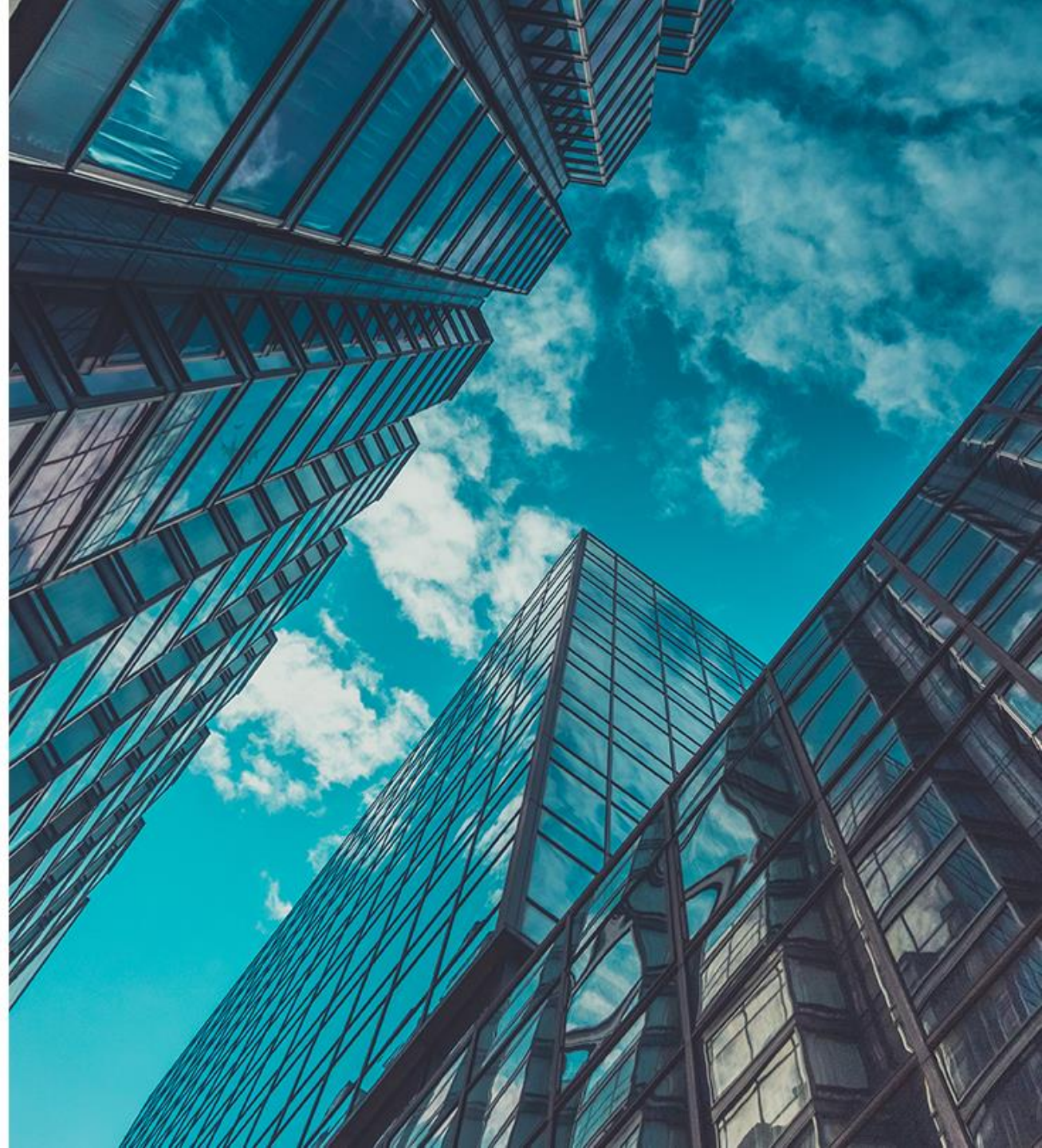
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About Us

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 other 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 some 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

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



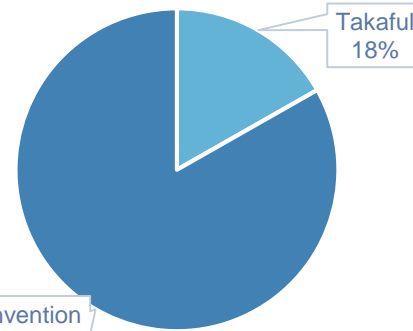
Our Services

Limitations and Disclaimers

- ❖ The data used for the preparation of this report has been collected from Muscat Stock Exchange.
- ❖ The data represented in this report was 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



Conventional
83%

Takaful
18%

Total Profit / Loss

OMR 18 Mn

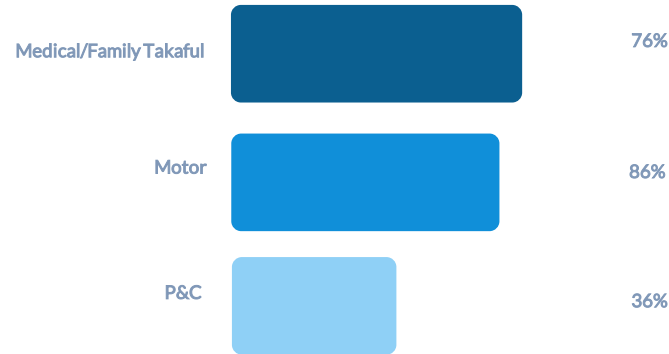


Total Gross Written Premium

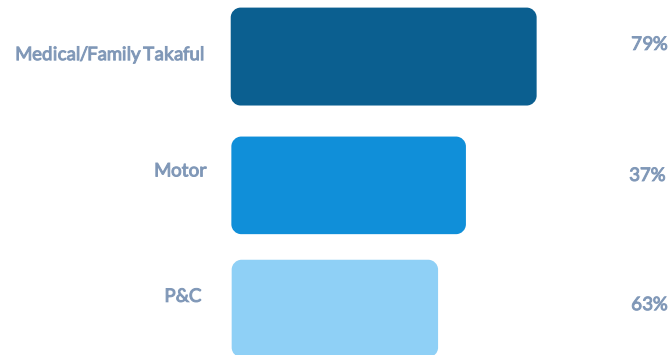
OMR 404 Mn

▲ 4.663%

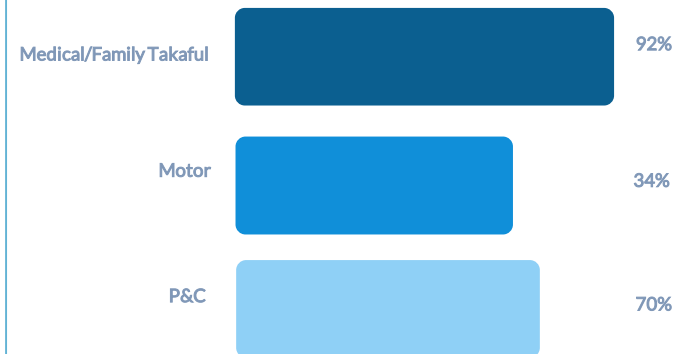
Retention Ratio



Loss Ratio



Combined Ratio



Total Assets

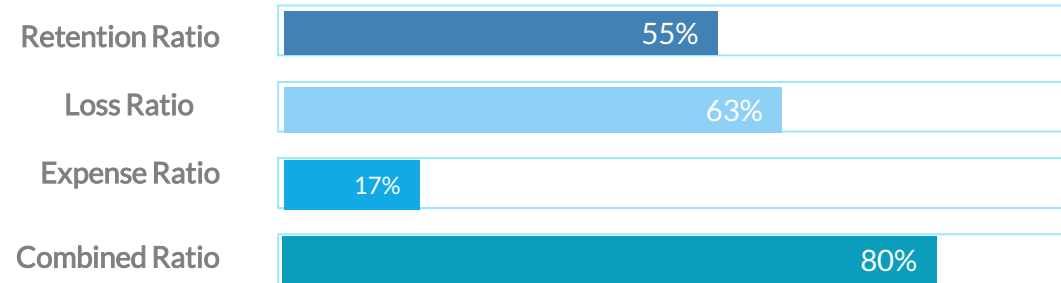
OMR 947 Mn

▲ 4.522%

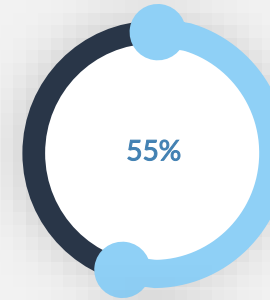
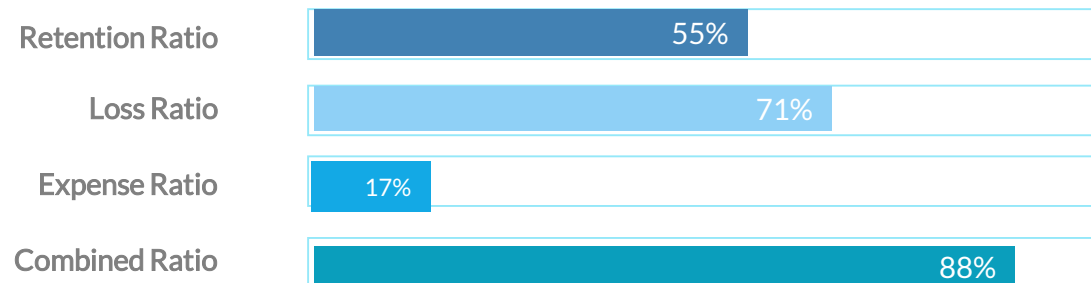
- ❖ In October 2021, Cyclone Shaheen hit Oman hard, causing significant material damage. The disaster, with heavy rains and strong winds, caused the death of at least 11 people, while 6 others are missing. According to the Oman Capital Market Authority (CMA), the Sultanate's insurers have received 9,800 claims for a total of 62.373 million OMR (162 million USD). As of YE 2021, 17% of the claims, that is 10.6 million OMR (27.45 million USD) of the total incurred losses have been settled by the Omani insurers. The remaining 51.7 million OMR (133.922 million USD) are still being processed. The majority of the claims 45.3 million OMR (117,344 million USD) relate to property damage (houses, buildings, facilities and other properties). The CMA also estimates that the cost of insured losses caused by Cyclone Shaheen is expected to reach 69 million OMR (179 million USD) in the upcoming days.
- ❖ Qatar Insurance Company (QIC) is studying the possibility of merging its subsidiary Oman Qatar Insurance with the Omani insurer Vision Insurance SAOG.
- ❖ AM Best has placed National Life & General Insurance Company's (NLGIC) financial strength rating of "B++" and long-term credit rating of "bbb+" under review with positive implications.
- ❖ The Omani government has established a Supreme Sharia Supervisory Board (SSSB) in the Capital Market Authority (CMA). The board aims to improve the legislative and regulatory processes for companies engaged in Takaful insurance activities in the Sultanate. The SSSB includes five members, among whom is a chairman. At least three members of the board must hold a bachelor's degree in Islamic Shariah or an equivalent diploma.
- ❖ 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 Capital Market Authority (CMA) in Oman has required local insurers to introduce natural disaster coverage in home, office and business insurance policies.
- ❖ Oman Reinsurance Company has set up its new website at <https://www.omanre.com/>. The page reflects the company's journey since the beginning of its operations in 2009 and reflects its transformation into a regional reinsurer.

Industry Benchmarks

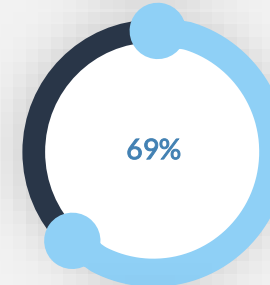
2020



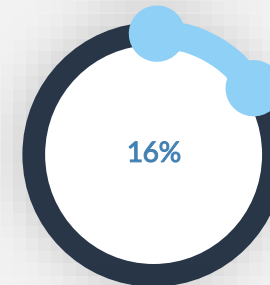
2021



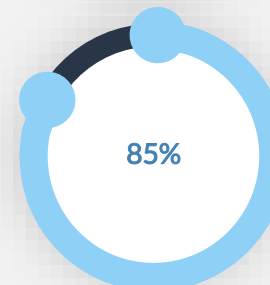
Weighted Average Retention Ratio



Weighted Average Loss Ratio



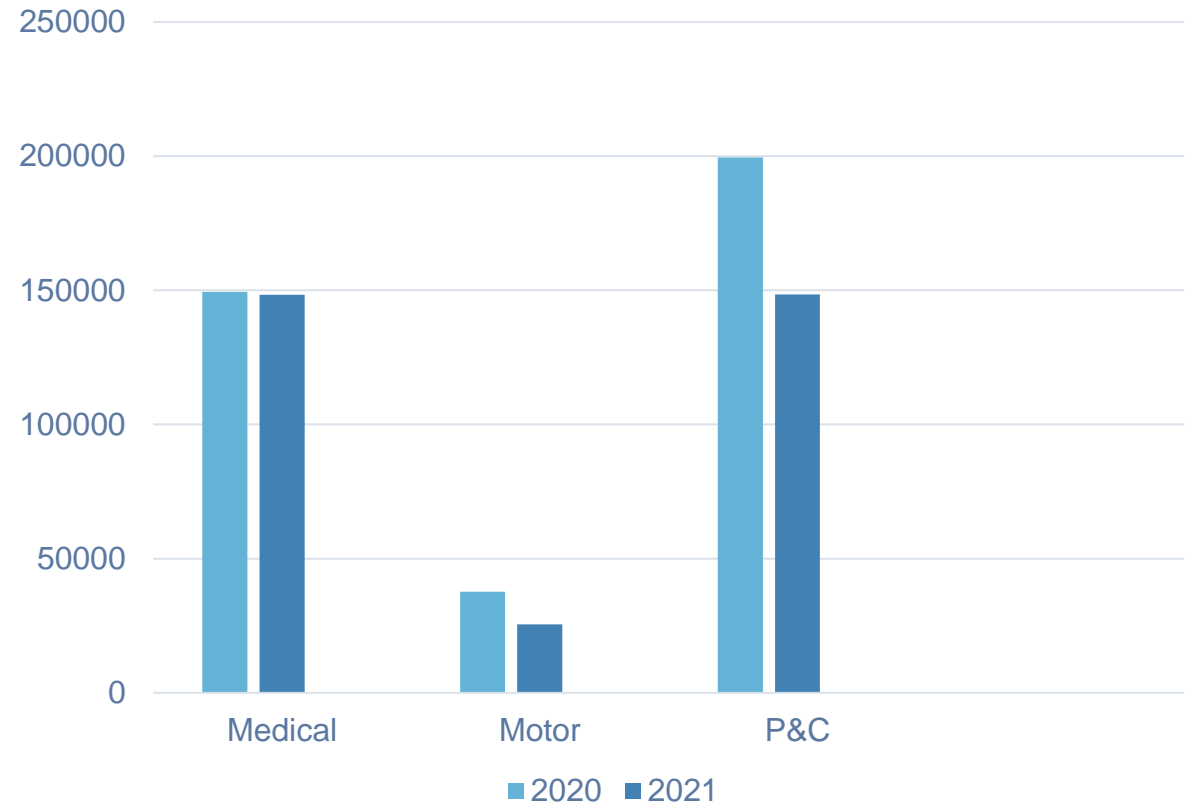
Weighted Average Expense Ratio



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. Arabian Falcon Insurance	▲
8. Vision Insurance	▼
9. Al Ahlia Insurance	▼
10. Muscat Insurance	█

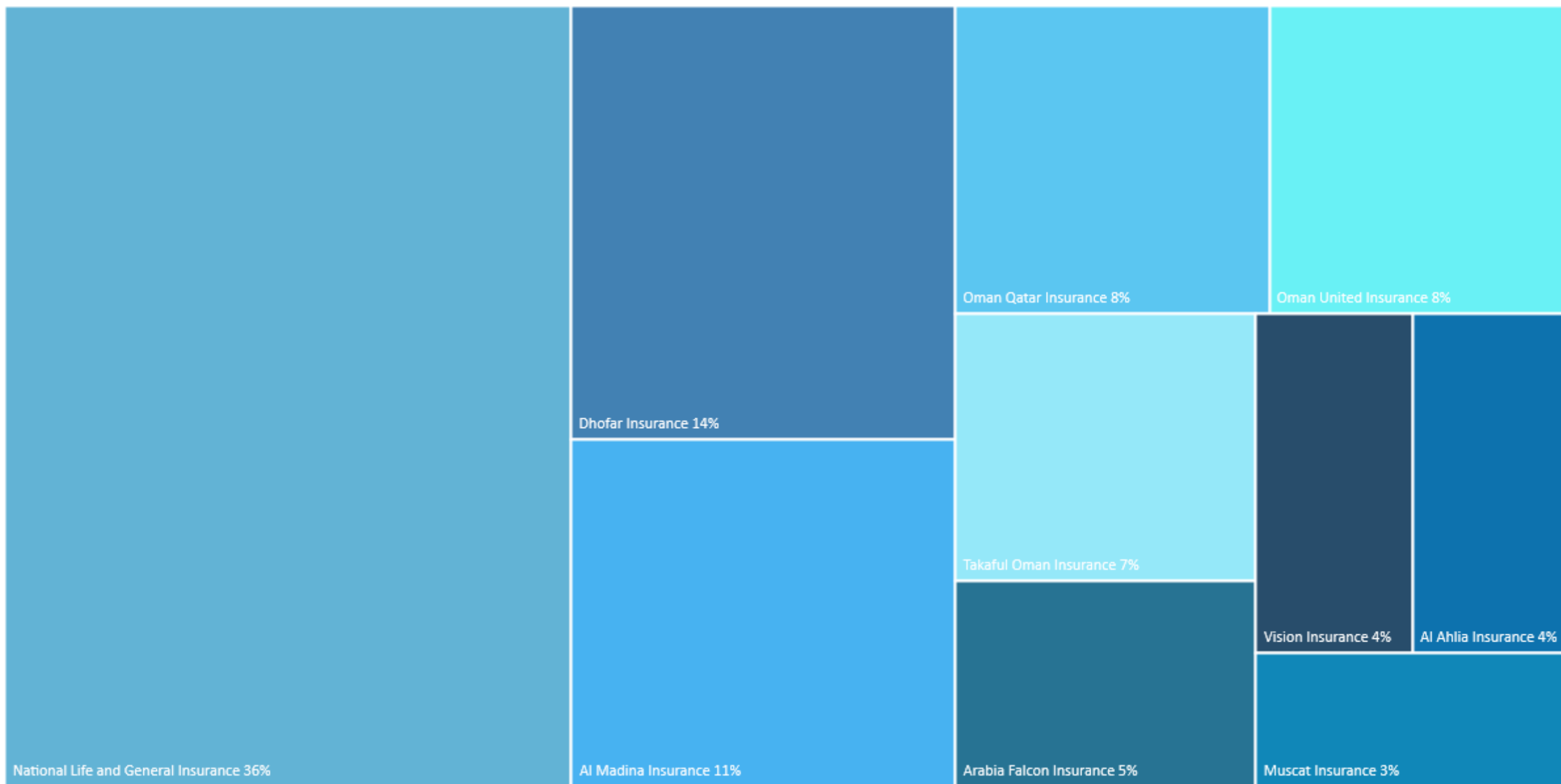


“ National Life and General Insurance, Dhofar Insurance and Al Madina Insurance retained their positions of being the top 3 insurance companies in Oman. Most of the gross written premium comes from the Medical/Family Takaful Line of Business, while Motor provides 3 to 4 times less of the gross written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

Impact of COVID-19

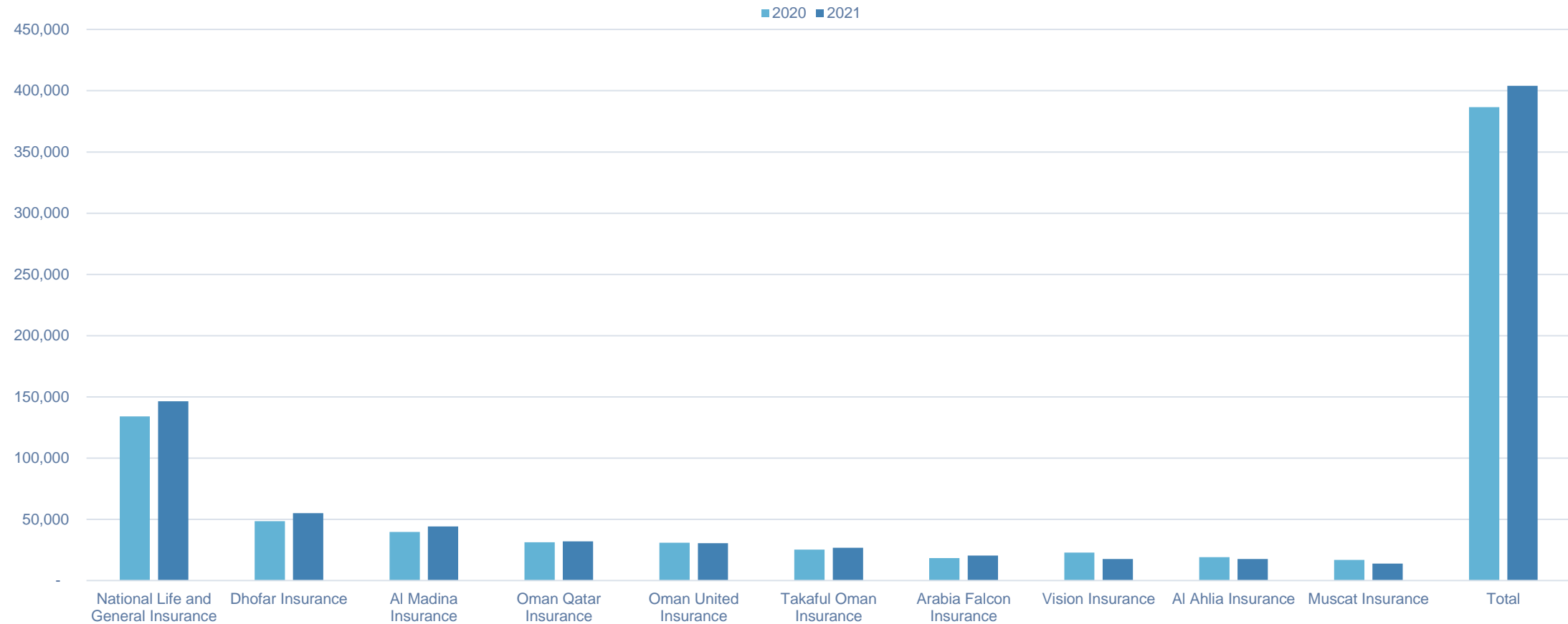
- ❖ The ongoing COVID-19 Pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On March 11, 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 and pay claims in relation to COVID-19 losses, which would not otherwise be payable under the relevant policy or in normal course of the business. The extent of the impact on our business and the 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

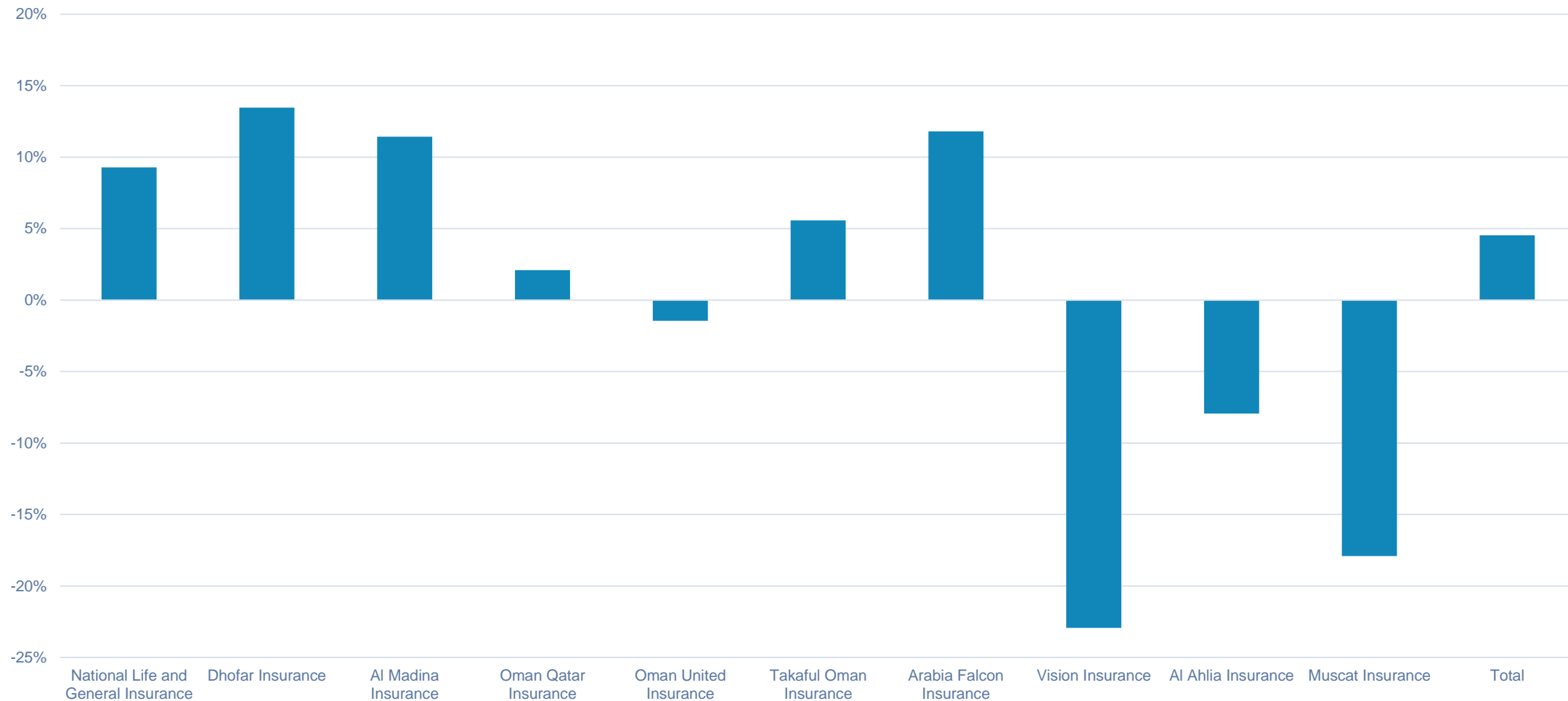
(OMR 000's)



Major Share of the total Gross Written Premium in Oman's insurance industry belongs to National Life and General Insurance (35% in 2020 and 36% in 2021), followed by Dhofar Insurance. Muscat Insurance had the lowest market share in both 2020 and 2021.



Gross Premium – Growth



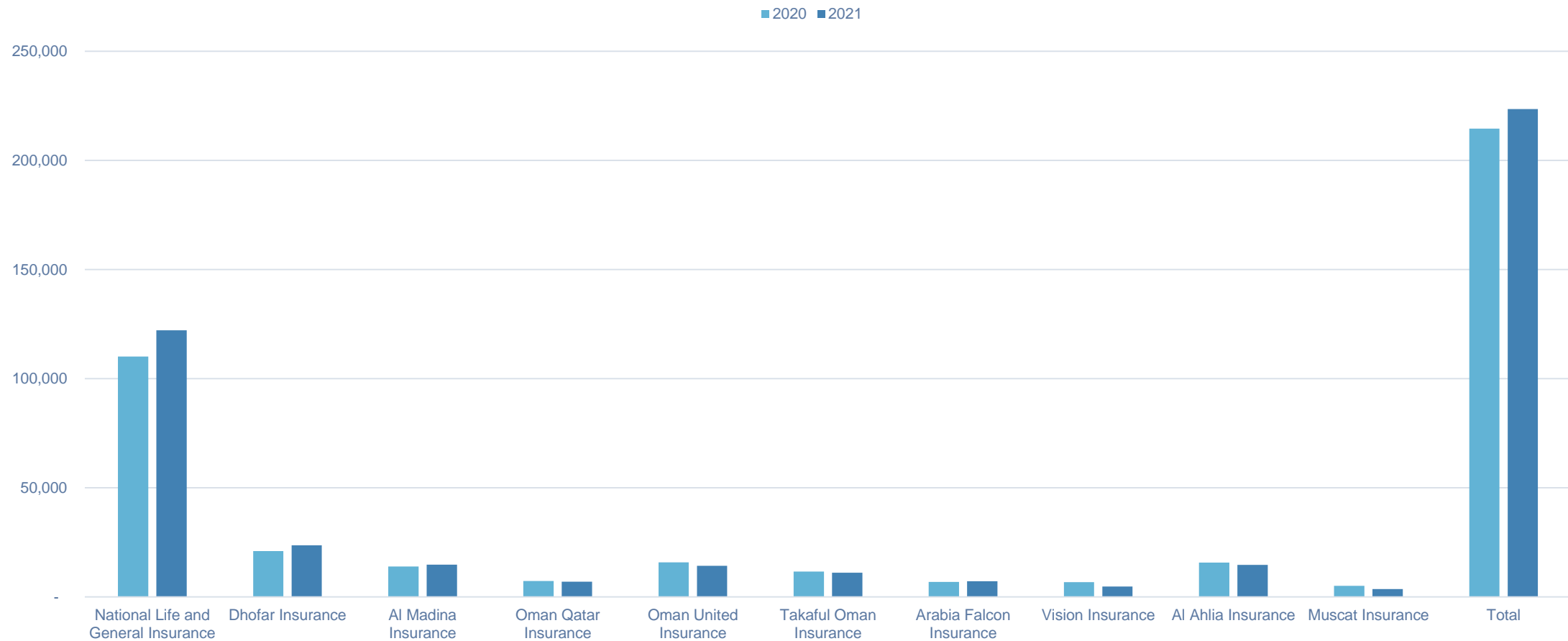
“

Dhofar Insurance experienced the highest growth rate in its Gross Premium at 13%, while Vision Insurance experienced the lowest growth rate -at 23%. Compared to 2020, in 2021, most of the companies in Oman experienced positive growth in their Gross Premiums.

”

Net Premium

(OMR 000's)

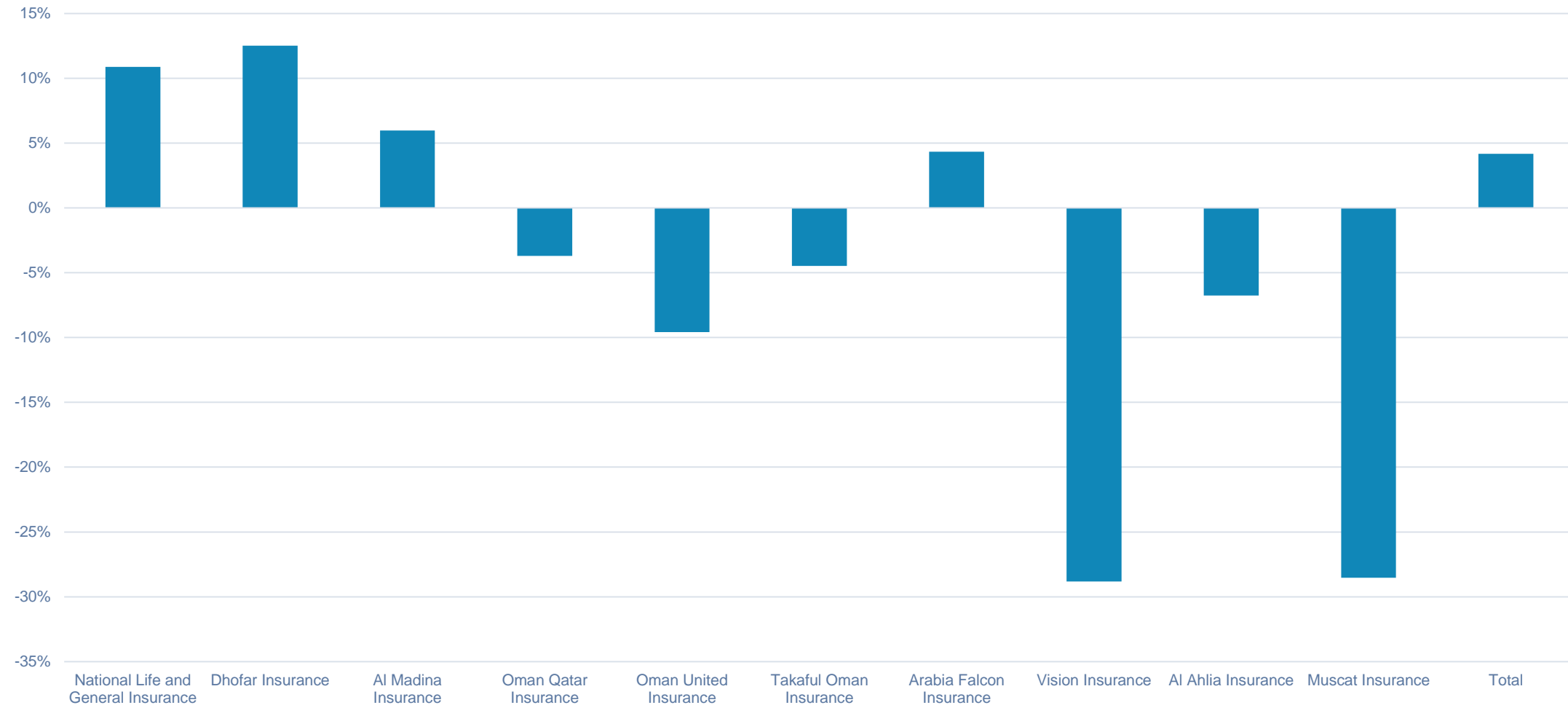


“

There hasn't been a significant change in the Net Premiums except for Vision Insurance and Muscat Insurance. Similar to the Gross Premiums, the highest Net Premium is observed from National Life and General Insurance for 2021. The lowest Net Premium for both years, 2020 and 2021, was observed from Muscat Insurance, while Arabian Falcon Insurance has almost the same Net Premium for 2020 and 2021.

”

Net Premium – Movement

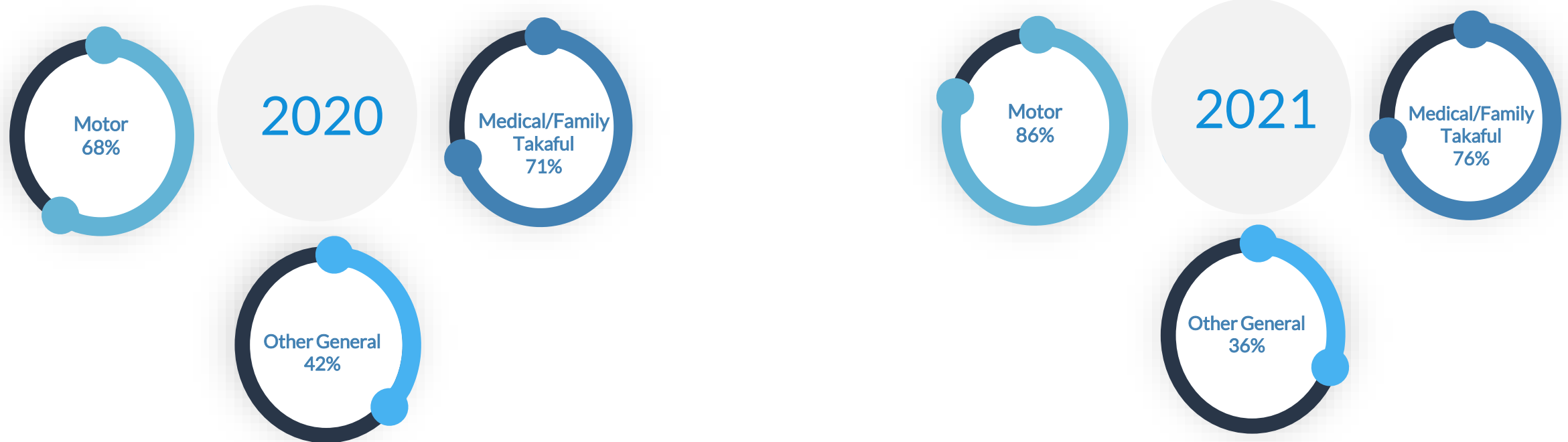


“

The reduction in Net Premium for Vision Insurance and Muscat Insurance was the greatest, followed by Oman United Insurance and Al Ahlia Insurance. Dhofar Insurance experienced an increase of 13%, which is the greatest as compared to other companies. Net Premium decreased for most of the companies of Oman for the year 2021.

”

Retention Ratios

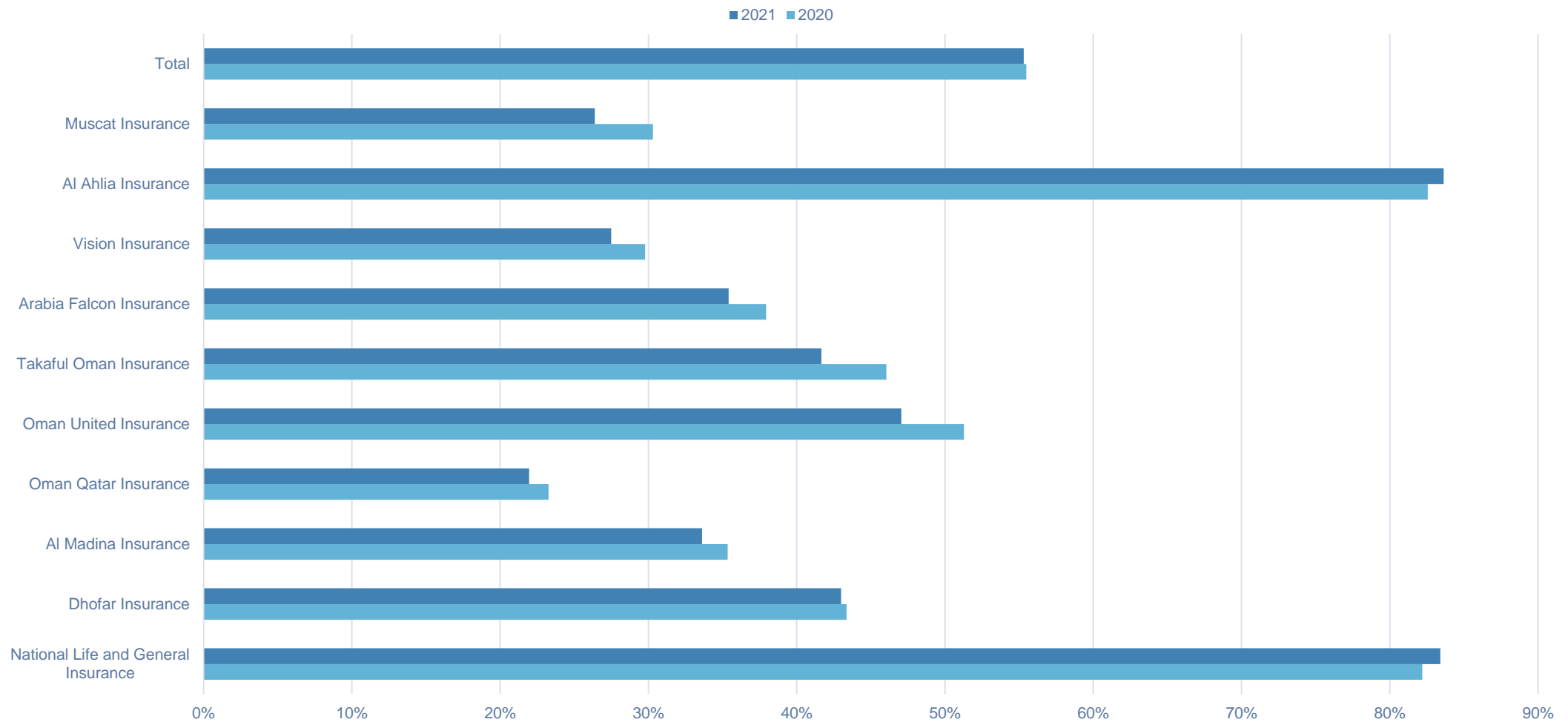


“

The Retention Ratio for all lines of business increased except for other general lines of business which experienced a decline of 6%.

”

Retention Ratios

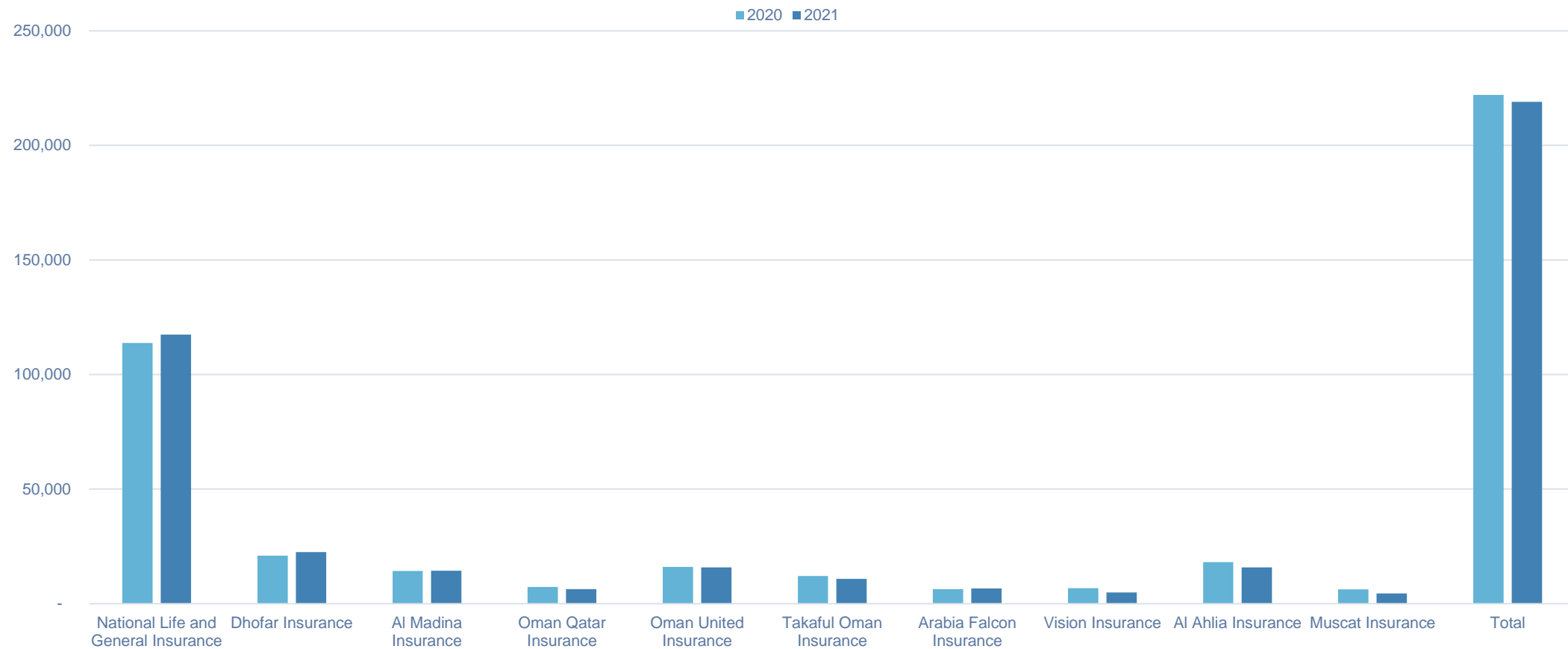


Al Ahlia Insurance, National Life and General Insurance retained most of their business in 2020 and 2021 (84% and 83%, respectively), while Oman Qatar Insurance ceded most of its business (with a retention ratio of 23% in 2020 and 22% in 2021). The Retention Ratio for most companies is less than 50%.



Net Earned Premium

(OMR 000's)



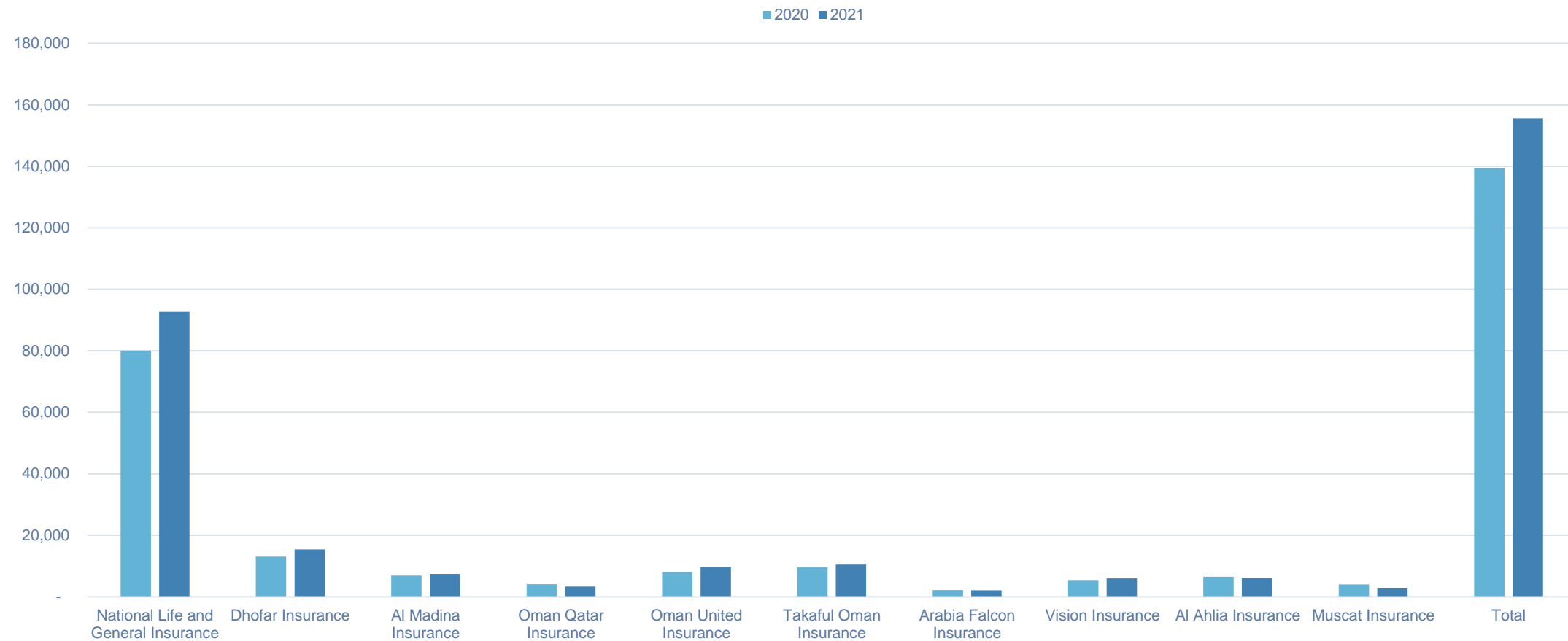
“

Net Earned Premium was the highest for National Life and General Insurance being 114 million and 117 million in 2020 and 2021, respectively. The lowest Net Earned Premium was for Muscat Insurance in 2020 and 2021. Net Earned Premium declined for all the companies except National Life and General Insurance, Dhofar Insurance and Arabia Falcon Insurance, while Net Earned Premium remained almost the same for Al Madina Insurance.

”

Net Incurred Claims

(OMR 000's)



“ Net Incurred Claims were the highest for National Life and General Insurance being 80 million and 93 million in 2020 and 2021, respectively. The lowest Net Incurred Claims were for Arabia Falcon Insurance in 2020 and 2021. Net Incurred Claims increased for all the companies except for Oman Qatar Insurance, Al Ahlia Insurance, Arabia Falcon Insurance and Muscat Insurance. ”

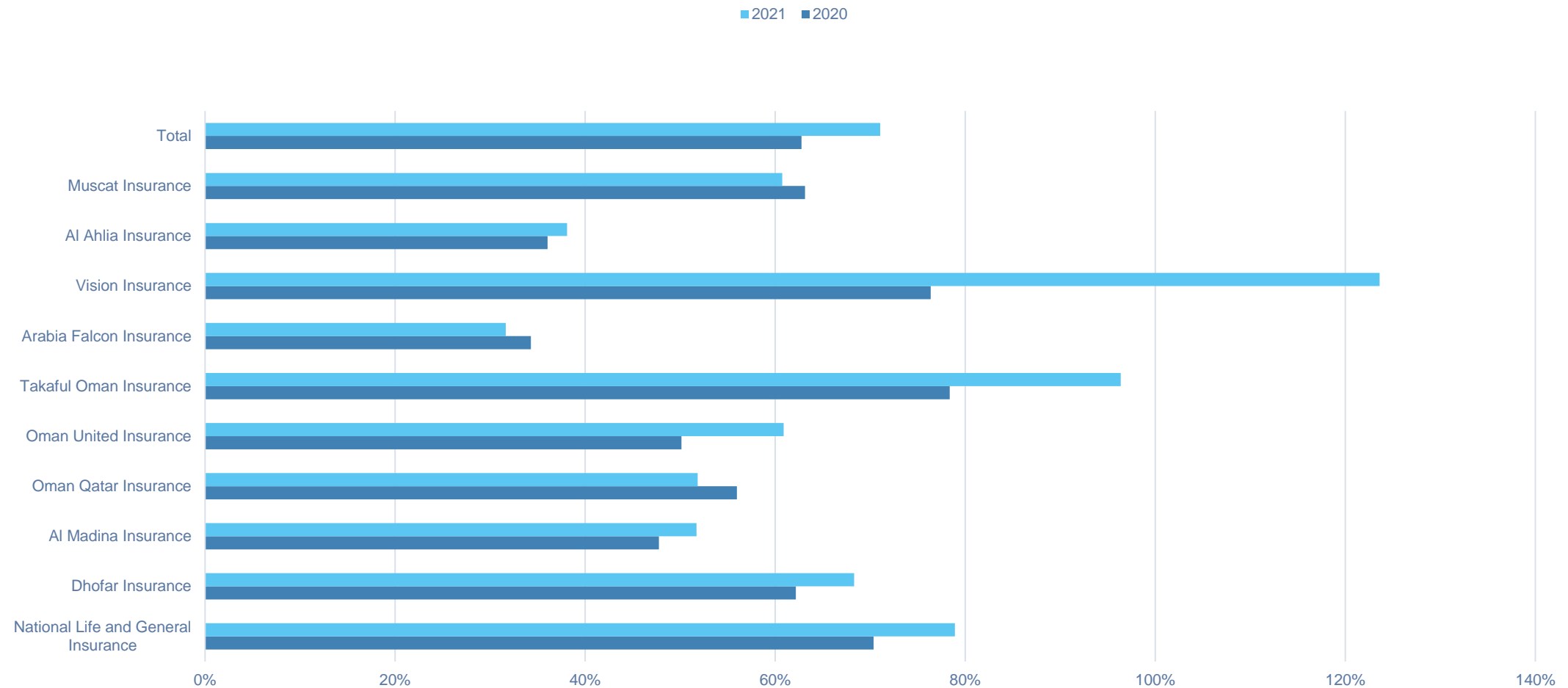
Loss Ratios



“ Loss Ratios declined for the motor line of business in 2021 by 19%, while for Medical and Other General, Loss Ratios increased by 5% and 12%, respectively, for the year 2021.

”

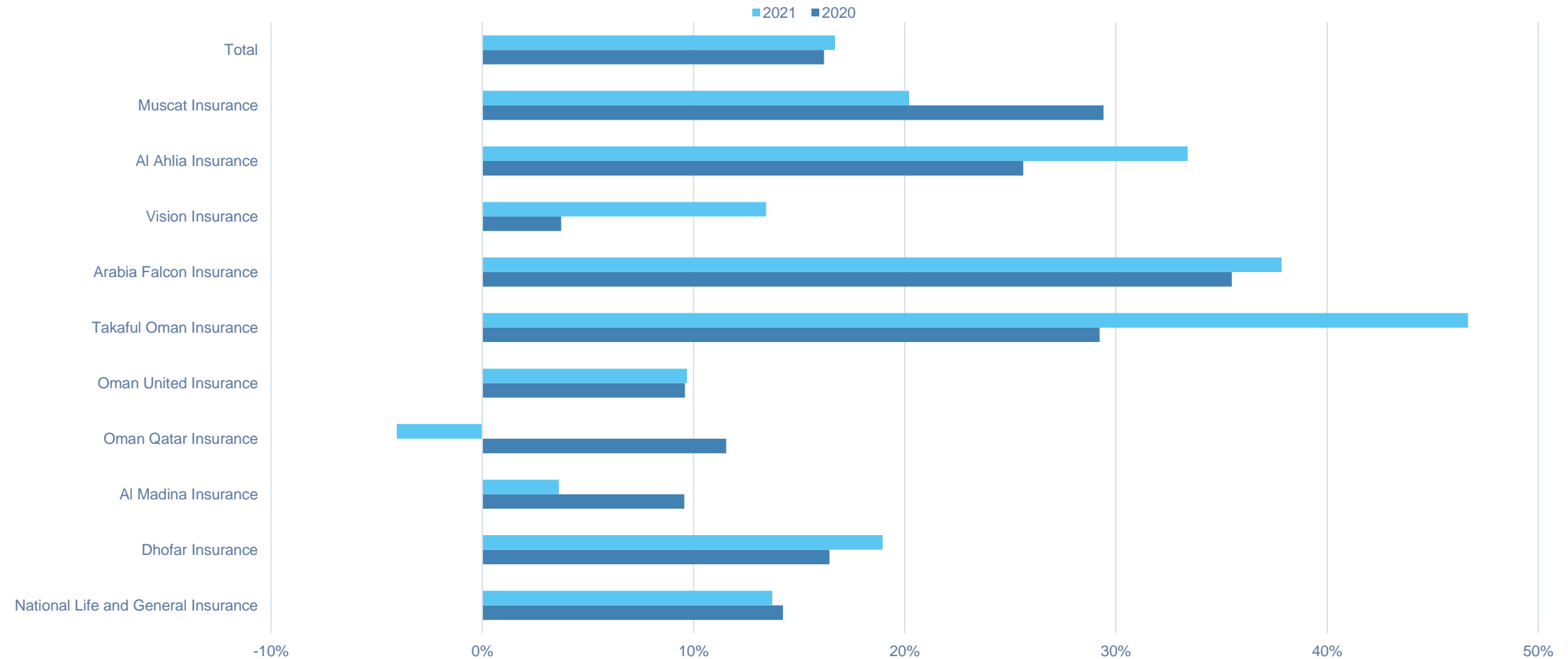
Loss Ratios



In 2020, the highest Loss Ratio was for Takaful Oman Insurance (78%), and the lowest was for Arabia Falcon Insurance (34%). In 2021, the highest Loss Ratio was for Vision Insurance (124%), and the lowest was for Arabia Falcon Insurance (32%). Loss Ratios for all the companies increased except for Oman Qatar Insurance, Arabian Falcon Insurance and Muscat Insurance. The performance of Vision Insurance shows a major decrease with an increase in its Loss Ratio of 48%.



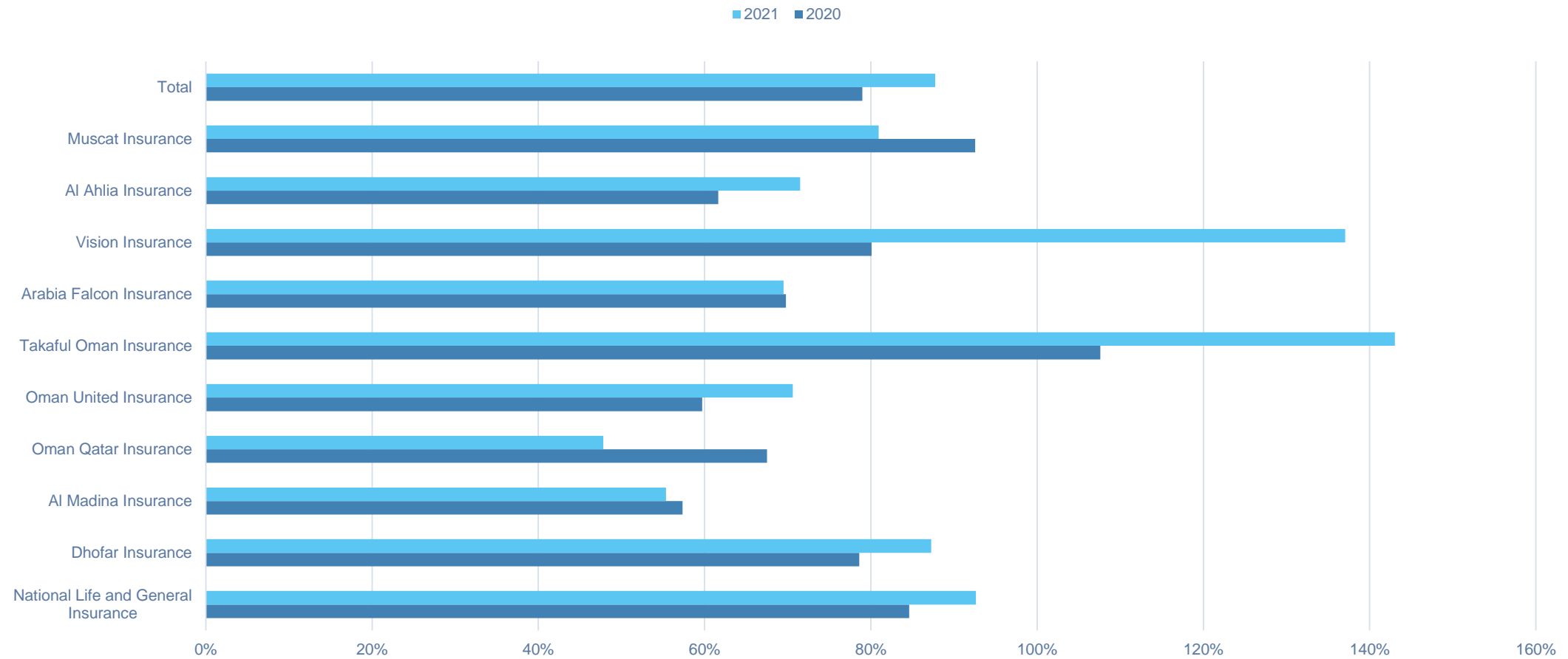
Expense Ratio



In 2020, the highest Expense Ratio was for Arabia Falcon Insurance (35%), and the lowest was for Vision Insurance (4%). In 2021, the highest Expense Ratio was for Takaful Oman Insurance (47%), and the lowest was for Oman Qatar Insurance (-4%). Expense Ratios for all the companies increased except for Muscat Insurance, Al Madina Insurance, Oman Qatar Insurance, and National Life and General Insurance. Expense Ratio for Oman United Insurance remains constant in 2021.

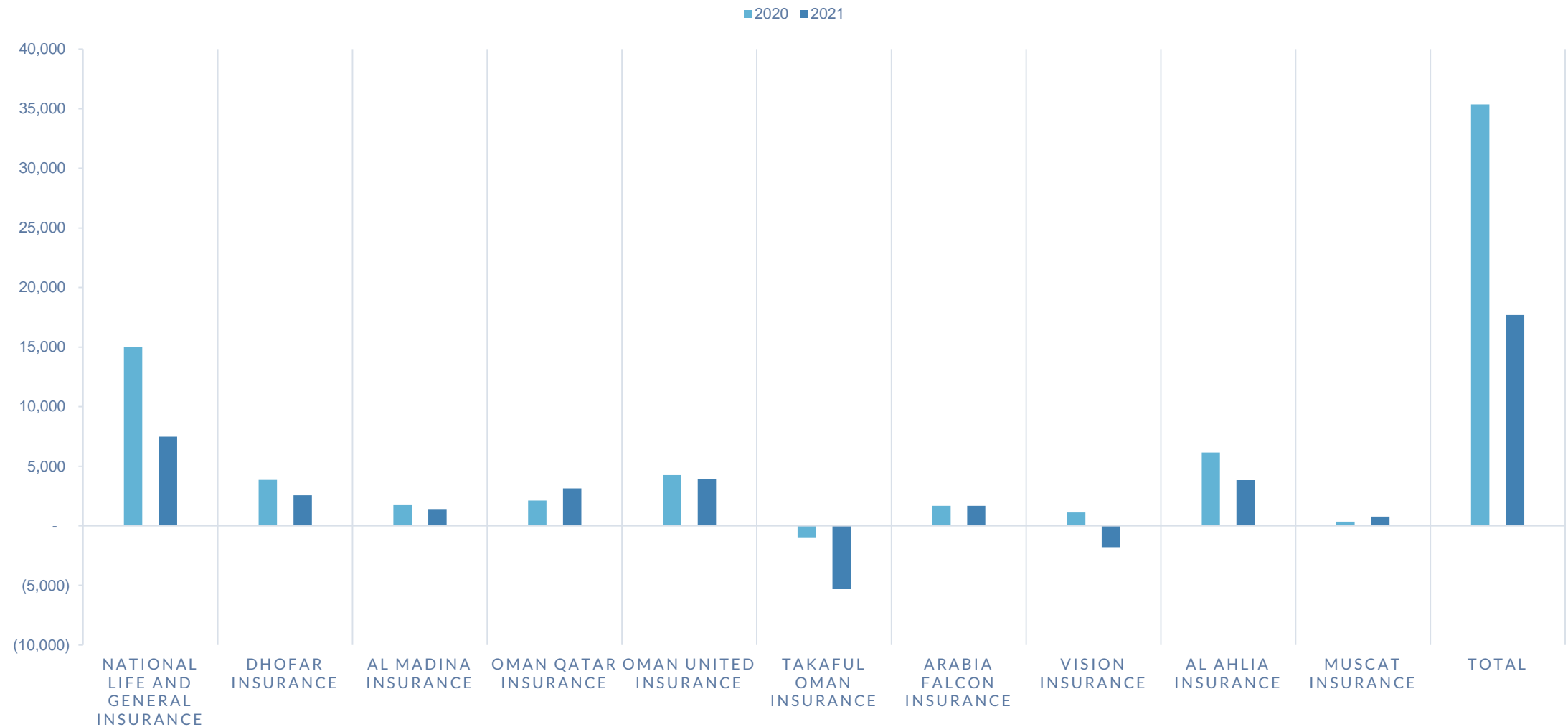


Combined Ratios



“ In 2020, the highest Combined Ratio was for Takaful Oman Insurance (108%), and the lowest was for Al Madina Insurance (57%). In 2021, the highest Combined Ratio was for Takaful Oman Insurance (143%), and the lowest was for Oman Qatar Insurance (48%). Combined Ratios for all the companies increased except for Muscat Insurance, Arabia Falcon Insurance, Oman Qatar Insurance and Al Madina Insurance. Oman Qatar Insurance was able to improve its position by decreasing its combined ratio by 20%. ”

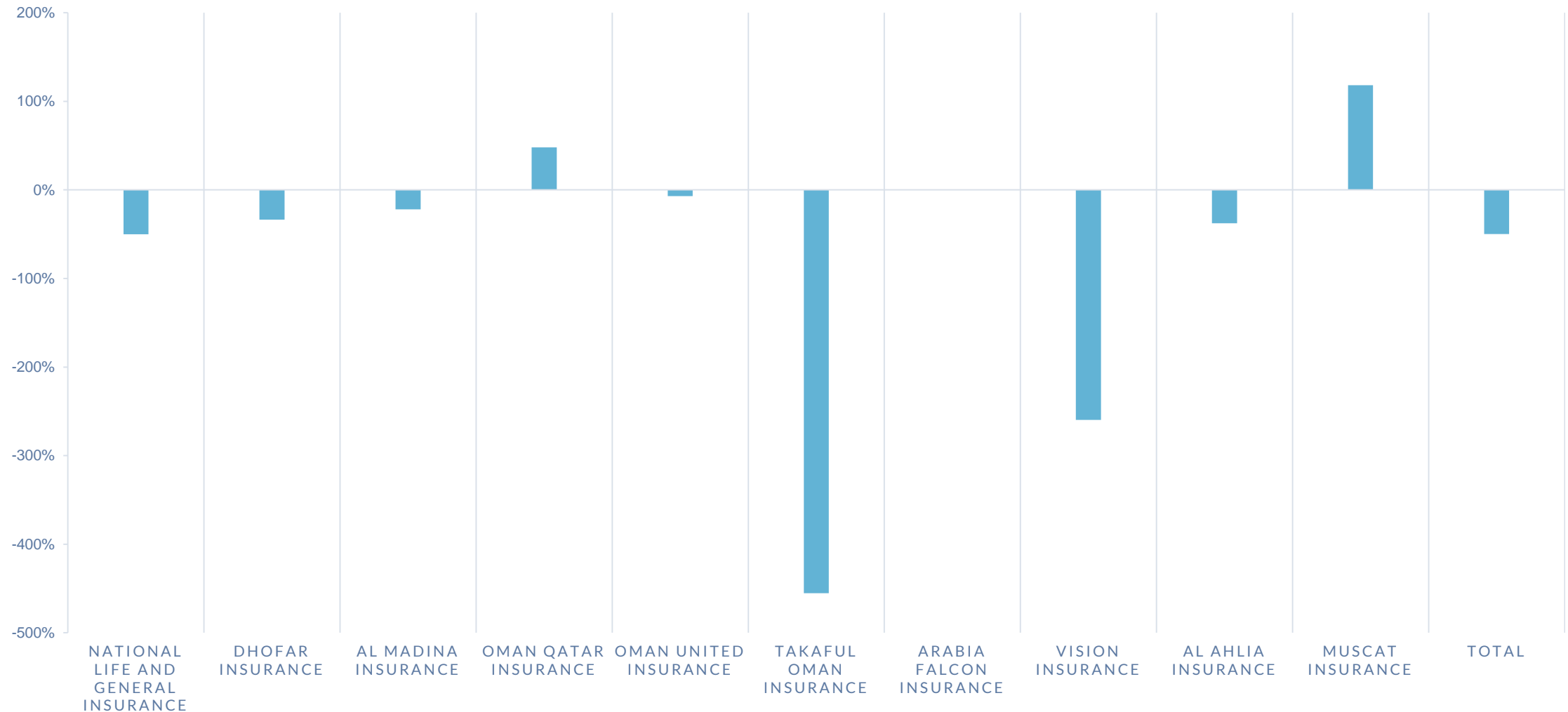
Net Profit/Loss



Net Profit was the highest for National Life and General Insurance, being 15 million in 2020 and 7 million in 2021. The lowest Net Profit was for Takaful Oman Insurance in 2020 and 2021. Net Profit decreased for all the companies except for Oman Qatar Insurance and Muscat Insurance. Net Profit for Arabia Falcon Insurance remained constant. Total Net Profit was 36 million for 2020 and 17 million for 2021.



Net Profit/(Loss) - Movement

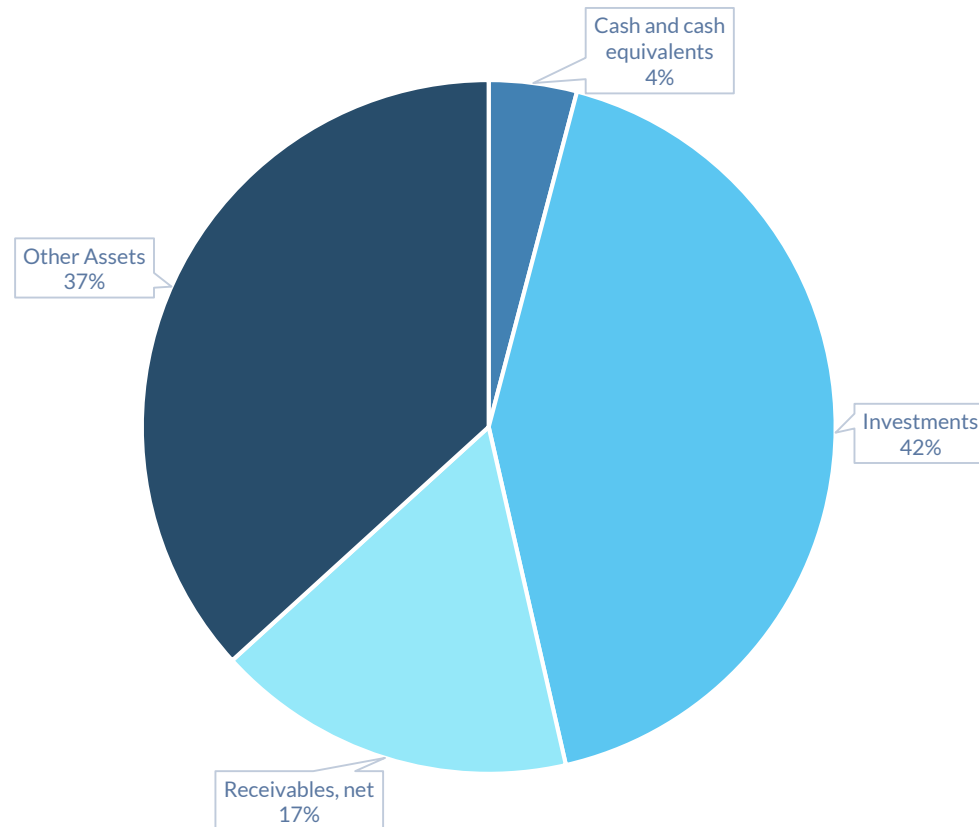


The greatest movement in Net Profit was for Takaful Oman Insurance, with a decrease of 455% in its Net Loss in 2021, followed by Vision Insurance, with a decrease of 260%. The Net Profit increased for Muscat Insurance by 118%.

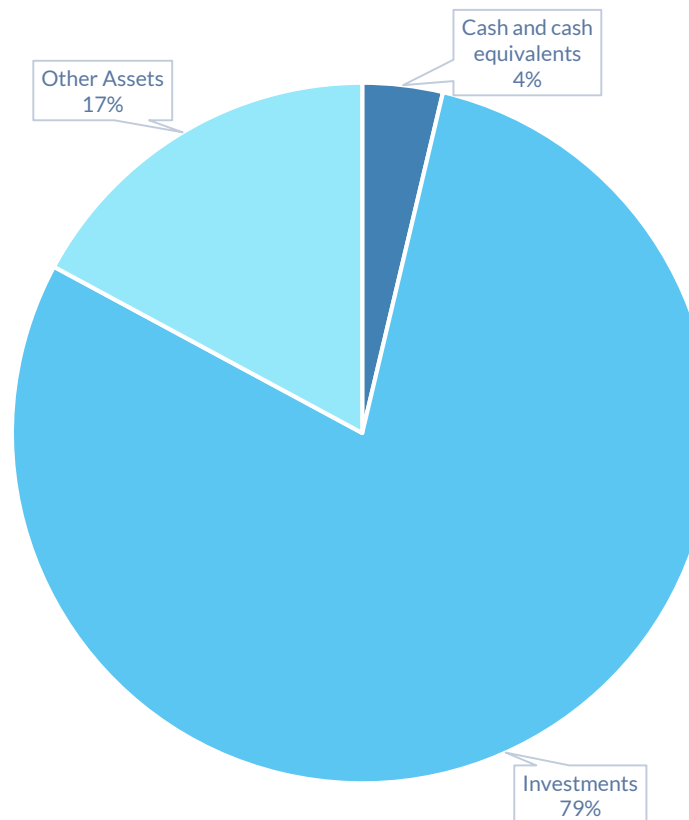


Asset Classification - Aggregate

POLICYHOLDER ASSET CLASSIFICATION



SHAREHOLDER ASSET CLASSIFICATION

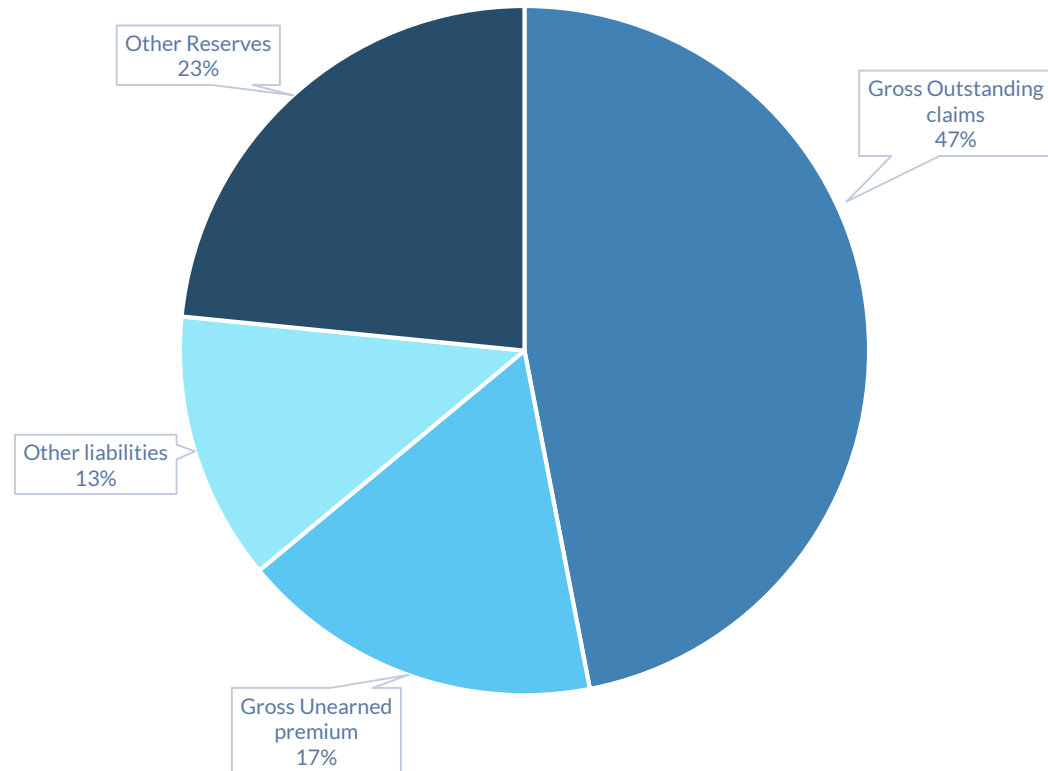


About 42% of Policyholder Assets relate to investments, 17% to Receivables, 4% to Cash and Cash equivalents, and 37% to Other Assets. For Shareholder Assets, 79% of the assets are related to investments, 4% to Cash and Cash equivalent, and 17% to Other Assets. Investments constitute most of the part of the Policyholder and Shareholder Assets.

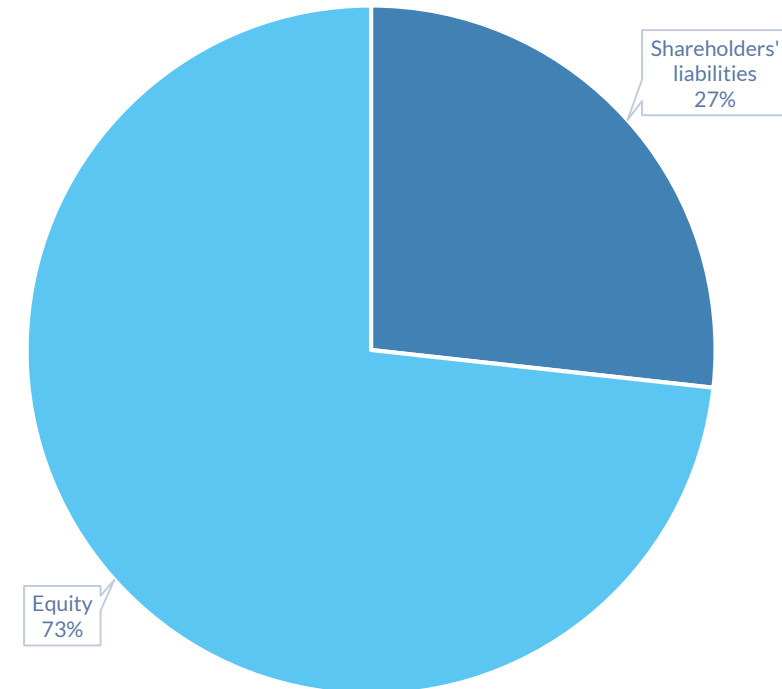


Liability and Equity Classification - Aggregate

POLICYHOLDER LIABILITIES CLASSIFICATION



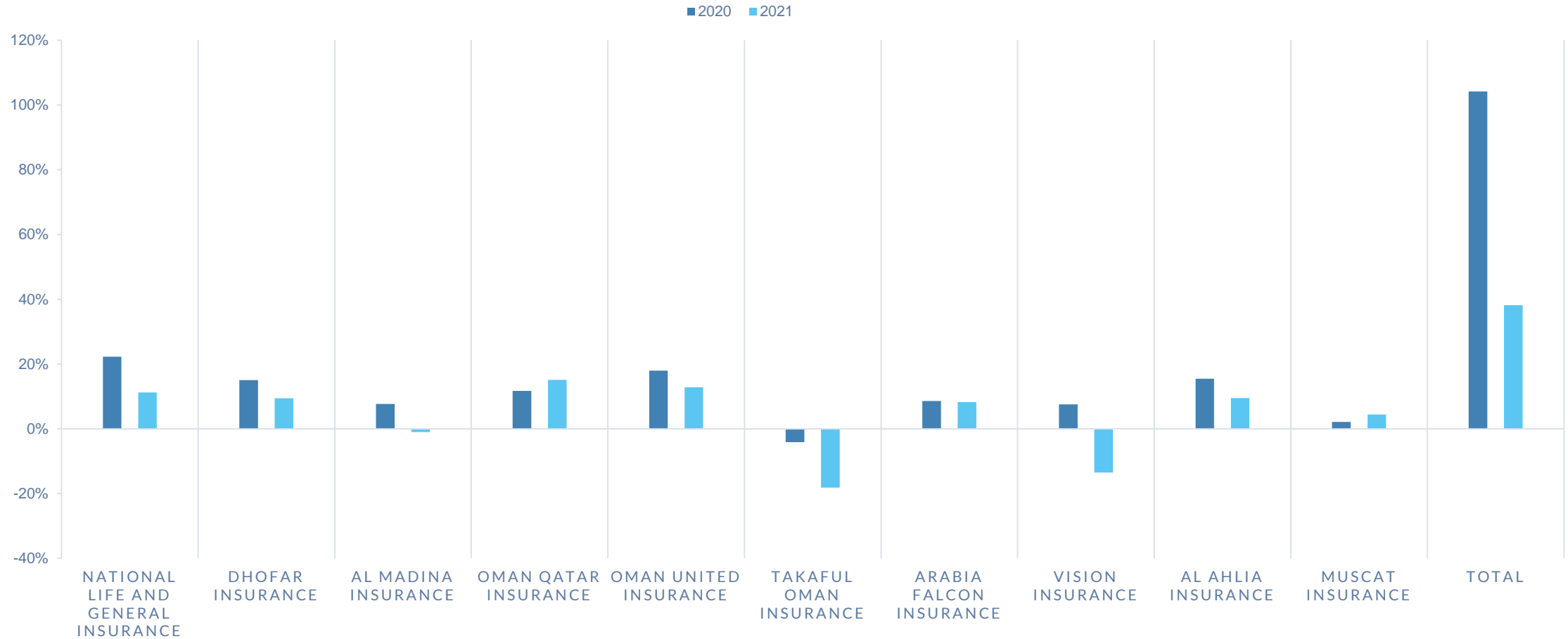
SHAREHOLDER LIABILITIES CLASSIFICATION



About 70% of the assets are financed by Liabilities, and about 30% are financed by Equity. Moreover, reserves constitute more than half (70%) of the Total Liabilities.



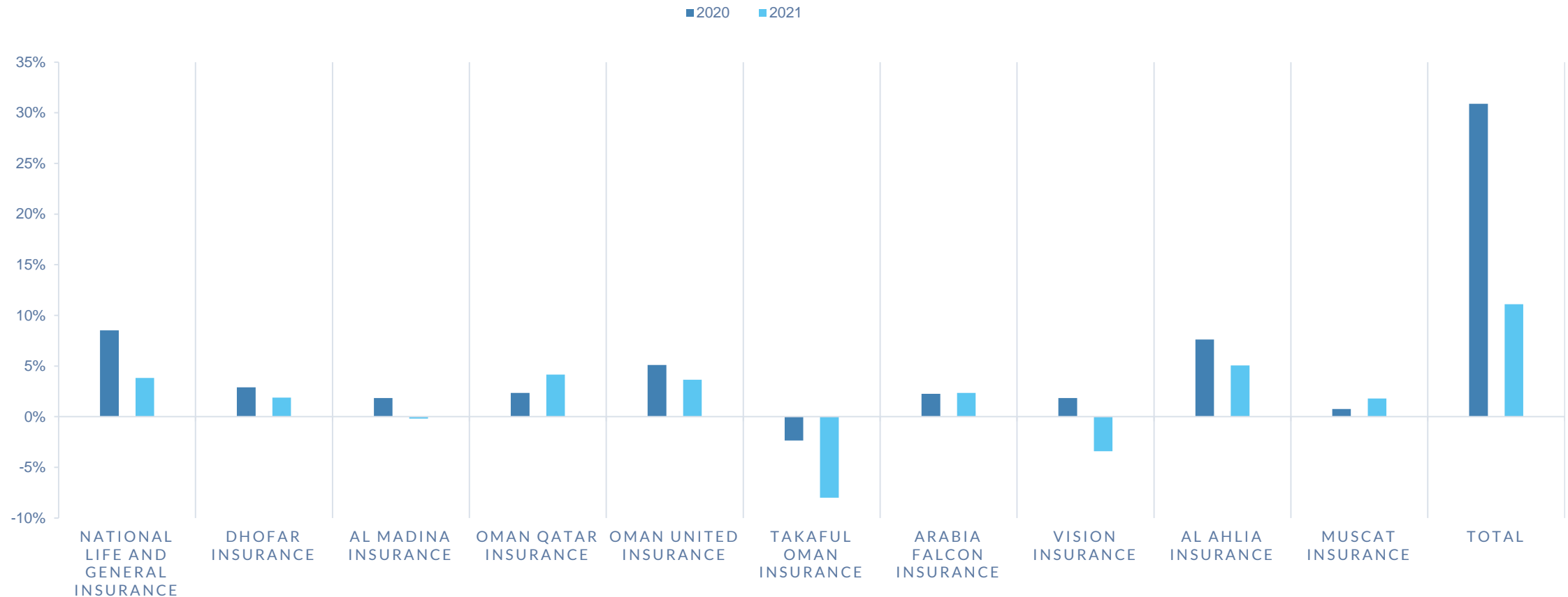
Return on Equity (ROE)



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. Arabia Falcon Insurance's ROE fell from 9% to 8%. National Life and General Insurance company was able to utilize its equity better than the remaining companies in 2020 but dropped its performance in 2021 by decreasing ROE by 11%. Muscat Insurance and Oman Qatar Insurance had an increase in ROE by (2% and 3%) respectively. ROE for all other companies decreased.



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 Arabia Falcon Insurance remained constant at around 2%. National Life and General Insurance company was able to utilize its assets better than the remaining companies in 2020 but reduced its performance in 2021 by decreasing ROA by 5%. Muscat Insurance and Oman Qatar Insurance had increased their ROA in 2021 by (1% and 2%) respectively. However, ROA for all other companies decreased.

”

Meet the Team

Zaid Muzammil
Senior Actuarial Consultant

Muhammad Umar
Senior Actuarial Analyst

Inam Elahi
Actuarial Analyst

Aisha Ishfaq
Actuarial Analyst

Hiba Ibad
Data and Research Trainee

Rida Hanif
Data and Research Trainee

SHMACONSULTING

Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Oman for the Year-End 2021. 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

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.



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