

SHMACONSULTING

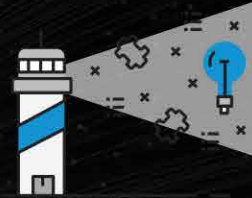
# INSURANCE INDUSTRY

OMAN

Q3 - 2023

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





## VISION

To nurture the lives of people everywhere and drive success by improving the decisions they make.



## MISSION

To bring the future in favor of people by partnering, simplifying and improving more lives every day.



## VALUES

People First | Learn & Grow | Excel & Innovate  
Integrity & Trust | Belong & Inspire

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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 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 to allow 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 and broker compensation structures, reinsurance arrangements, underwriting policies, and capital adequacy.

**RETIREMENT BENEFITS**

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

**Our Services**

- 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**

- 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

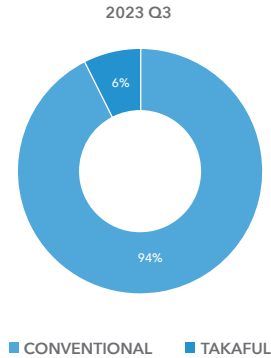
**ERM AND CAPITAL MODELING**

## LIMITATIONS AND DISCLAIMERS

- ❖ The data used for the preparation of this report has been collected from 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.
- ❖ The data represented in this report is based on 6 Conventional Companies (based on IFRS 17) and 2 Takaful Companies (based on IFRS 4).

# PERFORMANCE HIGHLIGHTS

Conventional Vs Takaful Business by Revenue



Gross Contribution  
(Takaful Companies)

OMR 54 Mn

Net Earned Contribution  
(Takaful Companies)

OMR 24 Mn

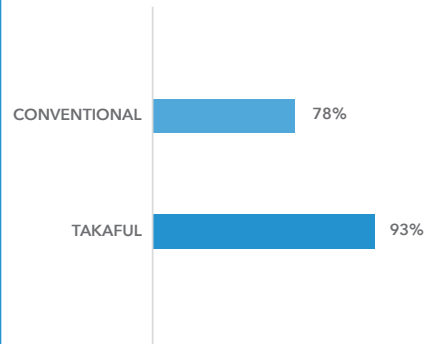


Insurance Revenue  
(Conventional Companies)

OMR 384 Mn

▲ 40%

Combined Ratios



Total Profit/Loss After Tax  
(Takaful Companies)

OMR 0.76 Mn

▼ 29%

Total Profit/Loss After Tax  
(Conventional Companies)

OMR 7.3 Mn

▼ 37%

Total Assets



OMR 813 Mn

▲ 6%

# INDUSTRY HIGHLIGHTS

- ❖ On February 16, 2023, Oman Qatar Insurance, a division of Qatar Insurance Company (QIC), and Omani Business Vision Insurance completed their merger. The Omani government gave its approval to the transaction. The shares of Vision Insurance have been delisted from the Muscat Stock Exchange as a result of this transaction.
- ❖ "Liva" is a fully integrated multi-line insurance powerhouse founded by National Life & General Insurance Company SAOG, Royal & Sun Alliance Insurance (Middle East) B.S.C., and Al Ahlia Insurance Company SAOC in 2023.
- ❖ 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 AAOIFI board has issued its own IFRS 17 equivalent standard FAS 43, which is applicable to Takaful institutions effective from the annual financial reporting year beginning on or after January 1, 2025. Thus, our analysis conducted for Takaful companies is on IFRS - 4.



# IFRS 17 – OVERVIEW

## MEASUREMENT

New Measurement Models have been introduced that are largely projected cash-flow in nature, considering Time Value of Money Effects, Risk Adjustment, and (where applicable) a residual Profit Margin.

## INSURANCE & NON-INSURANCE COMPONENTS

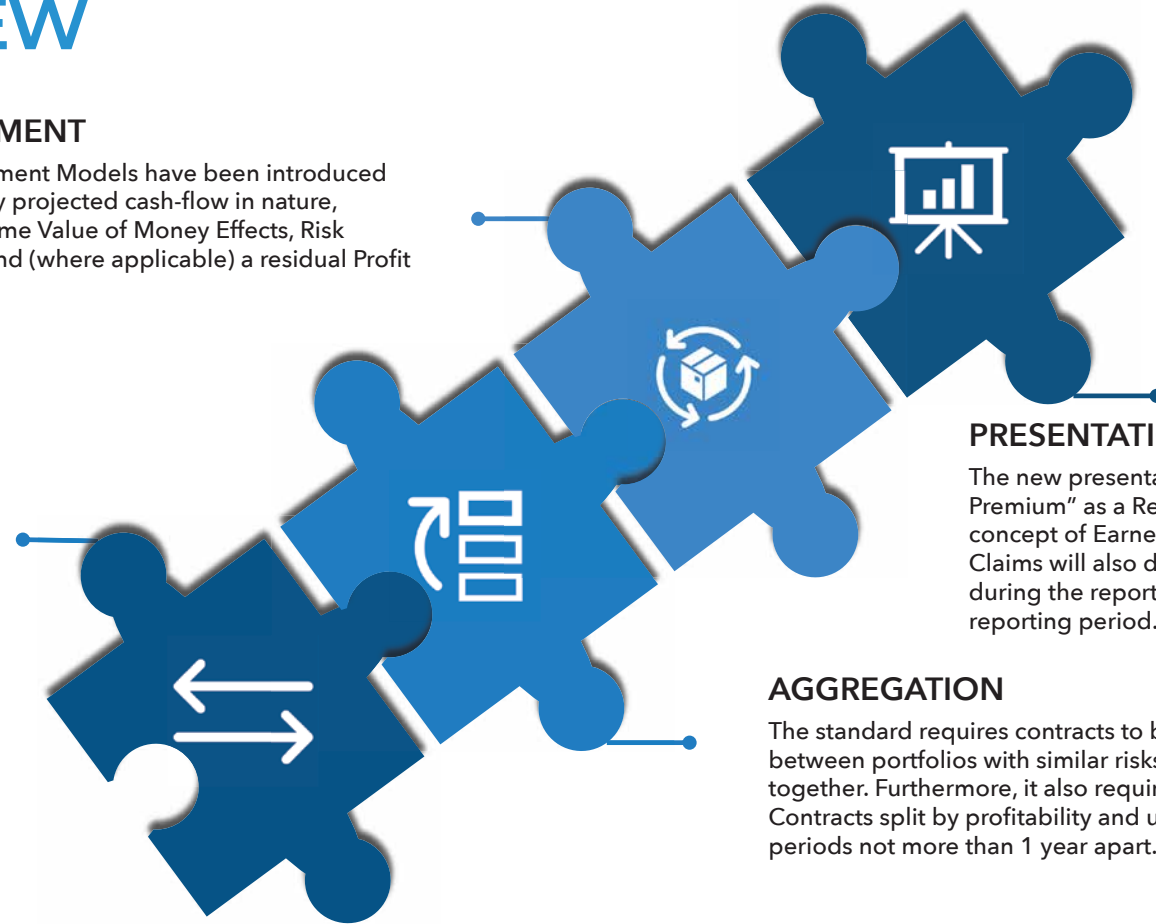
The standard has very specific definitions to distinguish between insurance and non-insurance components and requires separation in some cases.

## PRESENTATION

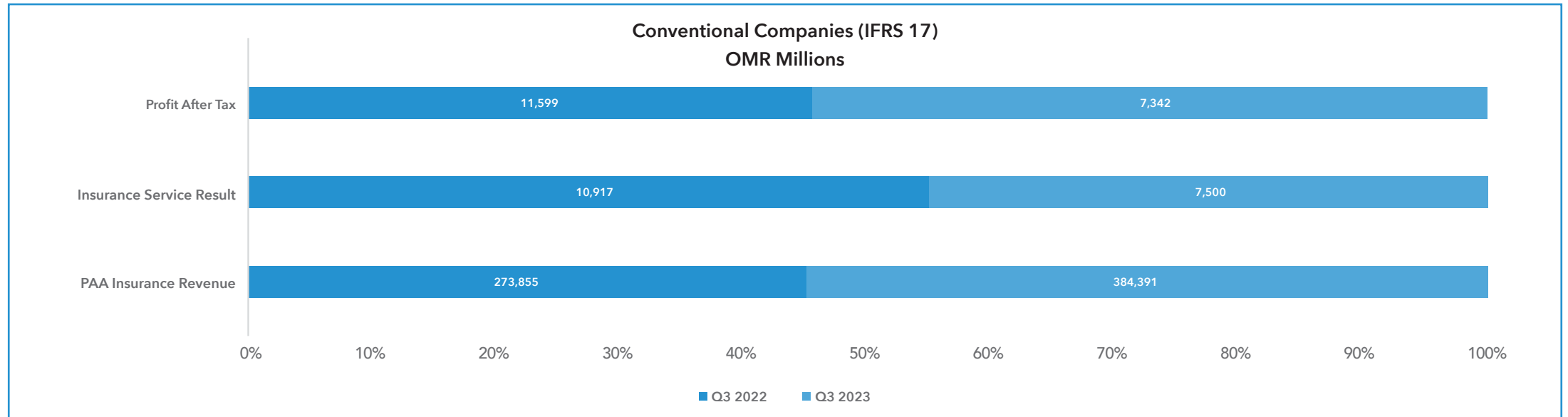
The new presentation style removes “Written Premium” as a Revenue item and adopts the concept of Earned Revenue. Other items as Incurred Claims will also distinguish between those incurred during the reporting period and those before the reporting period.

## AGGREGATION

The standard requires contracts to be segmented between portfolios with similar risks and managed together. Furthermore, it also requires a Group of Contracts split by profitability and underwritten periods not more than 1 year apart.



# AGGREGATE PERFORMANCE



Profit after tax decreased from OMR 11.5 million (Q3 2022) to OMR 7.3 million (Q3 2023). This indicates the companies' ability to generate income after deducting expenses and taxes, demonstrating financial instability for the third quarter of 2023.

Insurance service results dropped by 31% from OMR 10.9 million (Q3 2022) to OMR 7.5 million (Q3 2023), indicating a potential decrease in expenses or claim payouts that impacted their profitability.

Insurance's revenue grew from OMR 274 million (Q3 2022) to OMR 384 million (Q3 2023), indicating successful customer acquisition, increased sales of insurance products, or potentially higher premiums charged. The revenue growth reflects positive business performance and potential market expansion for the third quarter of 2023.

# RANKING BY INSURANCE REVENUE AND PROFIT AFTER TAX (IFRS 17)

By Insurance Revenue

1.	LIVA Group SAOG (Previously NLIF)	—
2.	Dhofar Insurance	—
3.	Oman Qatar Insurance	—
4.	Oman United Insurance	—
5.	Arabia Falcon Insurance	—
6.	Muscat Insurance	—

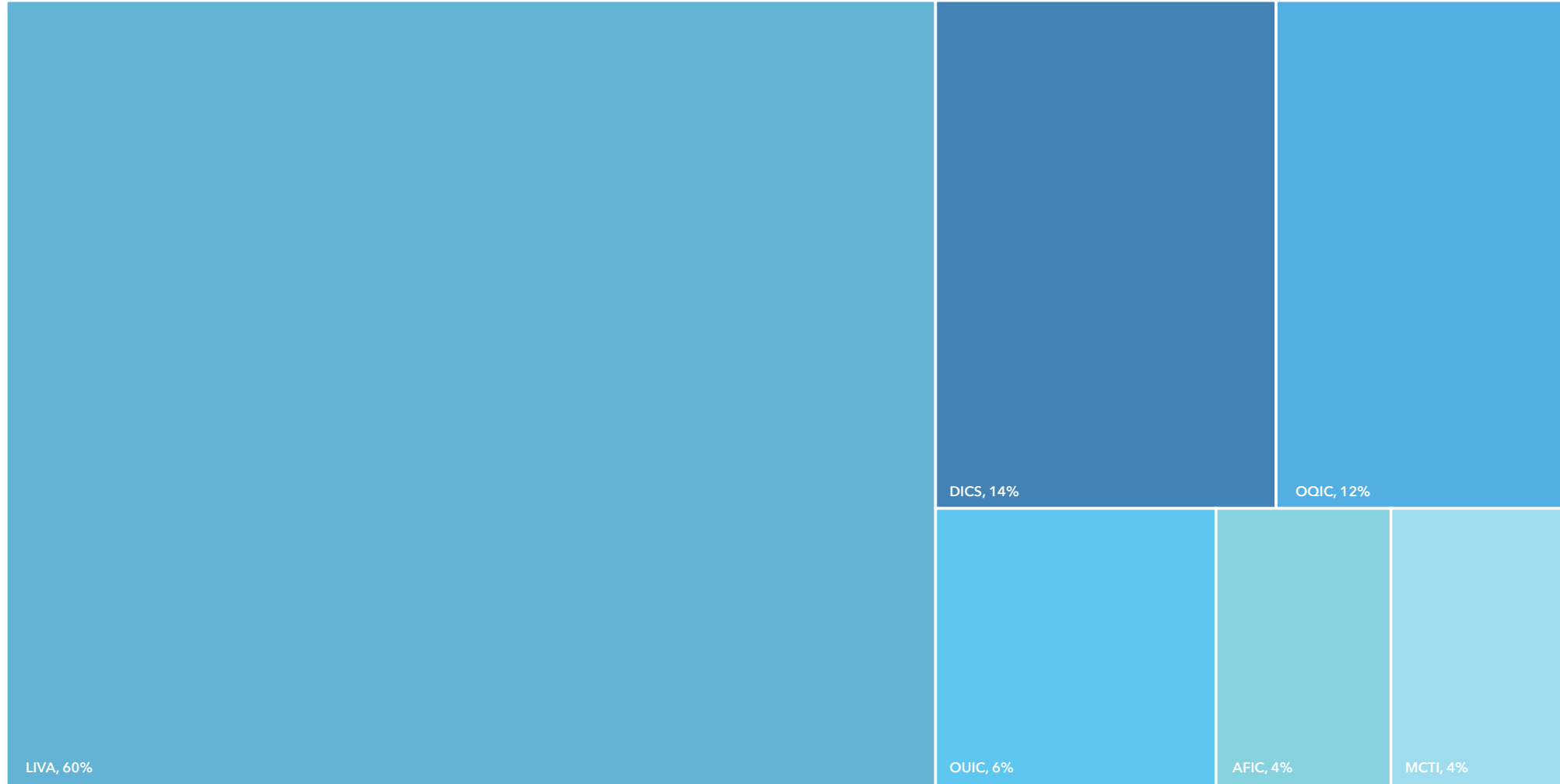
By Profit

1.	Dhofar Insurance	▲
2.	Oman Qatar Insurance	▼
3.	Oman United Insurance	—
4.	LIVA Group SAOG (Previously NLIF)	▼
5.	Arabia Falcon Insurance	—
6.	Muscat Insurance	—

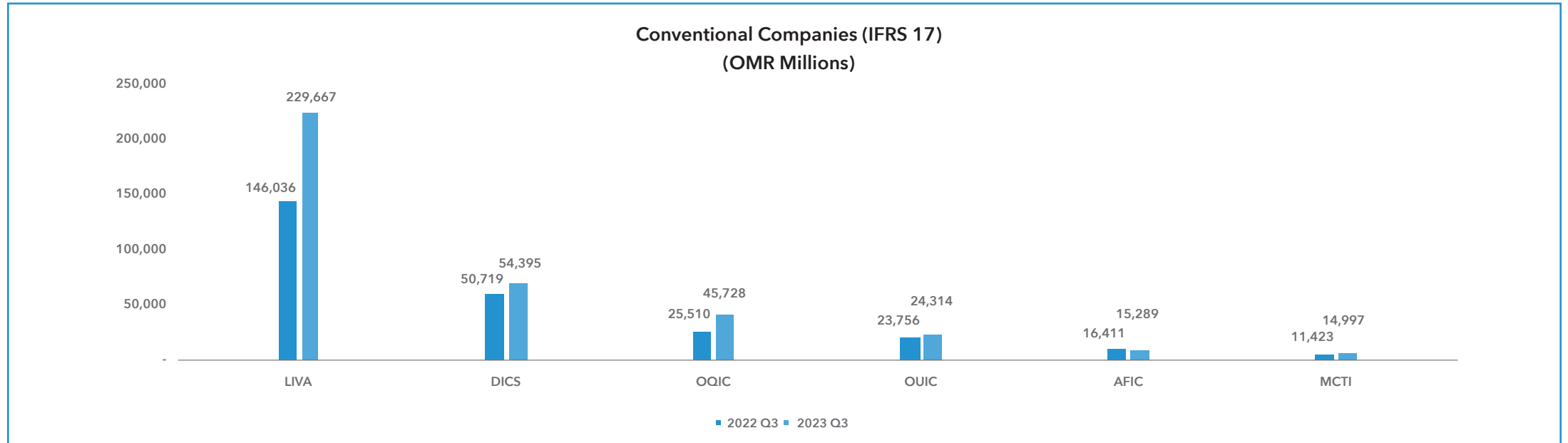
In terms of revenue, all insurance companies maintained their positions in Q3 2023, with LIVA leading the way in both years. In terms of profit, Dhofar Insurance leads the pack with a 57% increase in Q3 2023. LIVA's position in the standings has plummeted by two spots, representing an 88% loss. The position of Oman-Qatar has slipped one spot. Arabia Falcon and Muscat Insurance will remain stable in the third quarter of 2023.

# MARKET SHARE PROPORTION

Conventional Companies (IFRS 17)



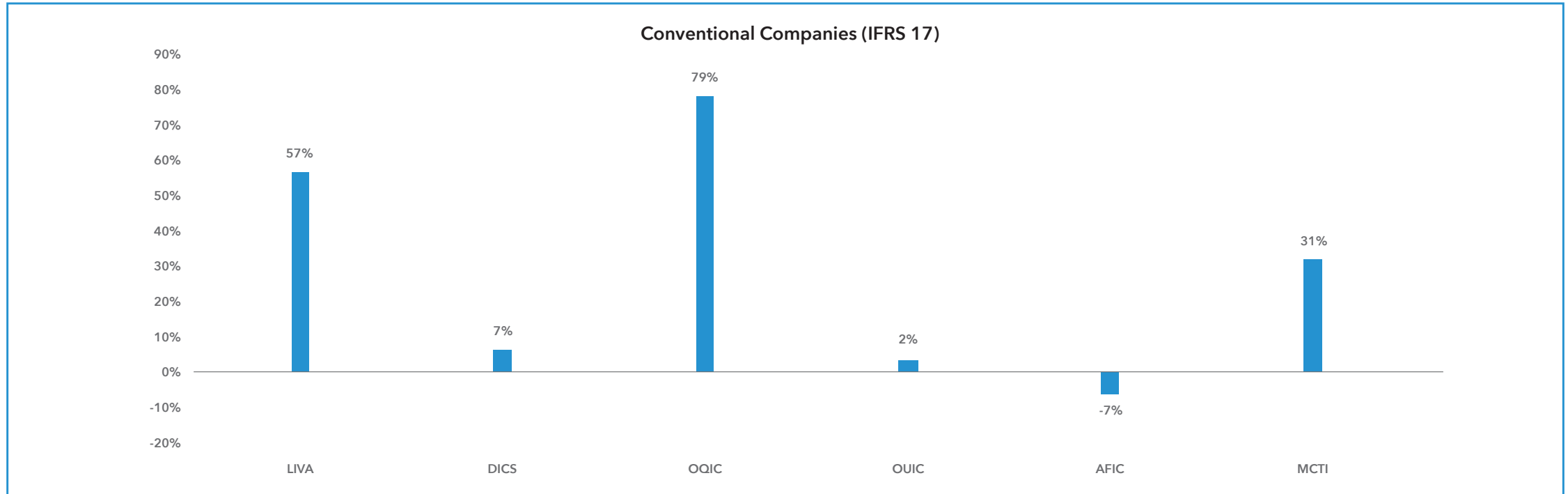
# INSURANCE REVENUE



LIVA was able to capture around 60% of the market with OMR 230 million in Q3 2023, whereas Arabia Falcon and Muscat Insurance had only 4%, with both businesses having the lowest insurance revenue of OMR 15 million. Furthermore, when compared to Q3 2022, overall insurance revenue is considerably greater. Total insurance revenue for 6 conventional companies shot up by 40% from OMR 274 million in Q3 2022 to OMR 384 million in Q3 2023.

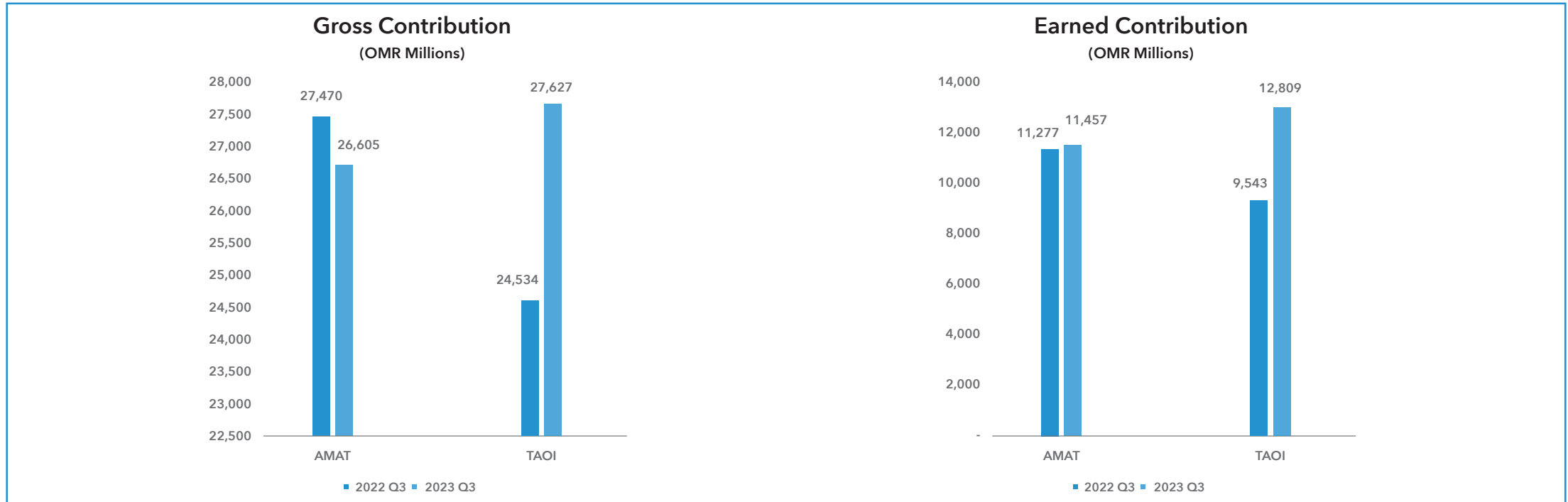
Notably, the reporting landscape has evolved, and the traditional focal point of Gross Written Premiums (GWP) is no longer emphasized. Instead, the new key metric is Insurance Revenue, which can be likened to Earned Premiums. However, it's important to highlight a critical distinction. Insurance Revenue is reported net of any Expected Credit Losses, akin to the provision for doubtful debts, ensuring a more accurate representation of the companies' financial health. This shift reflects a more comprehensive approach to financial reporting and aligns with industry best practices.

# INSURANCE REVENUE – MOVEMENT



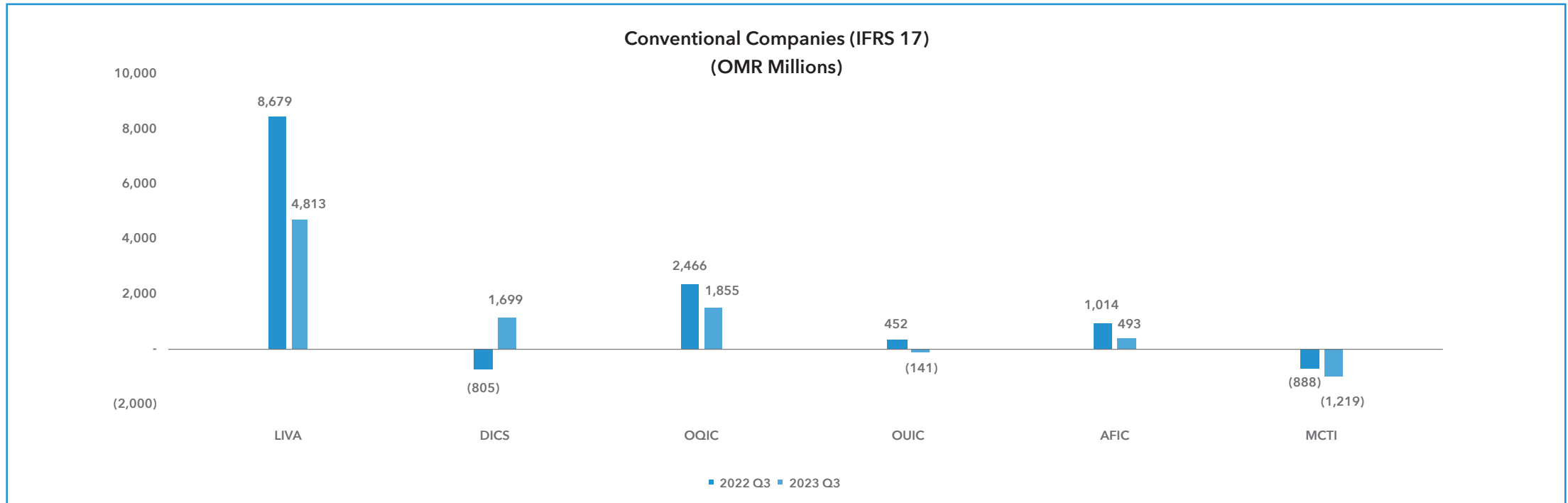
Oman Qatar Insurance had the strongest growth in insurance revenue in Q3 2023, at almost 79%. LIVA likewise raised its insurance revenue by 57%, whereas only Arabia Falcon Insurance Company lowered its insurance revenue by 7%. All of the other companies' growth rates improved slightly.

# TAKAFUL COMPANIES (IFRS 4)



For 2 listed takaful companies based on IFRS 4, the gross contribution increased by 4% from OMR 52 million in Q3 2022 to OMR 54 million in Q3 2023. Earned contribution increased by 17% from OMR 21 million in Q3 2022 to OMR 24 million in Q3 2023. Notably, the reporting landscape has evolved, and the traditional focal point of Gross Written Premiums (GWP) is no longer emphasized. Instead, the new key metric is Insurance Revenue, which can be likened to Earned Premiums. However, it's important to highlight a critical distinction. Insurance Revenue is reported net of any Expected Credit Losses, akin to the provision for doubtful debts, ensuring a more accurate representation of the companies' financial health. This shift reflects a more comprehensive approach to financial reporting and aligns with industry best practices.

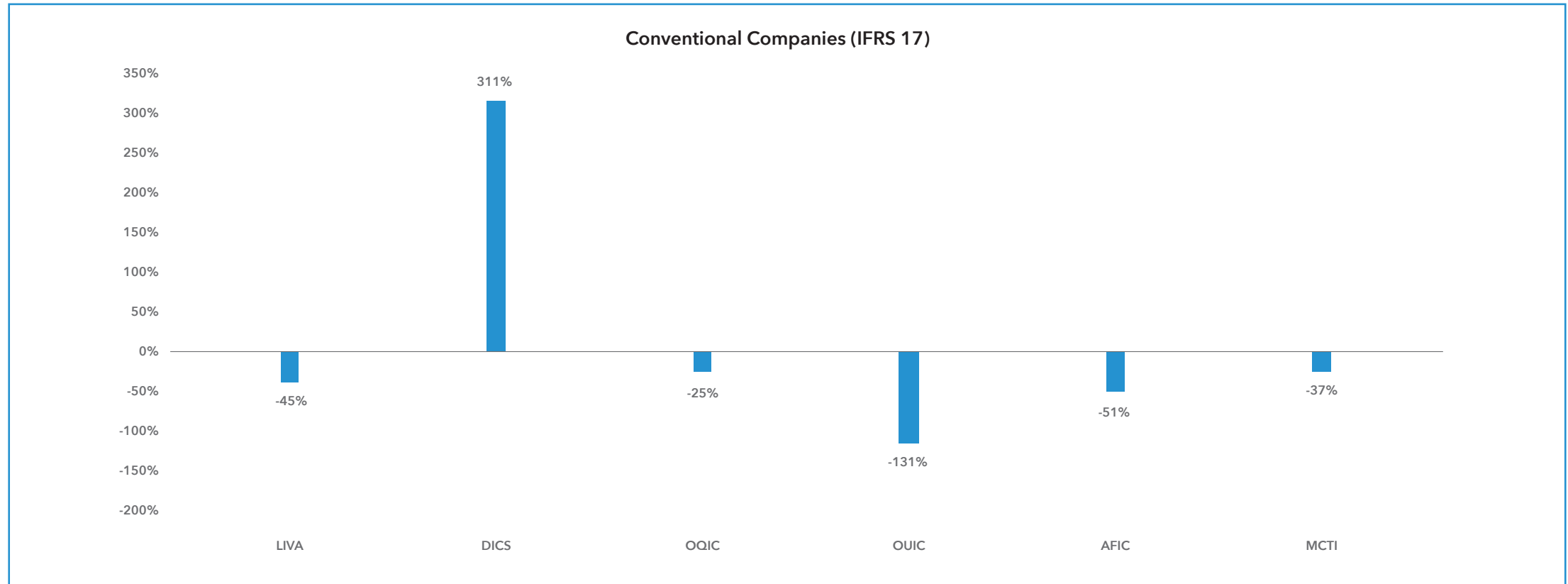
# INSURANCE SERVICE RESULTS



During the third quarter of 2023, the insurance service result for 6 conventional companies fell by over OMR 3 million, a 31% drop. Despite the fall in insurance service results, LIVA continues to lead the way with an insurance service result of OMR 4.8 million, while Muscat Insurance has the lowest insurance service result of OMR 1.2 million in Q3 2023.

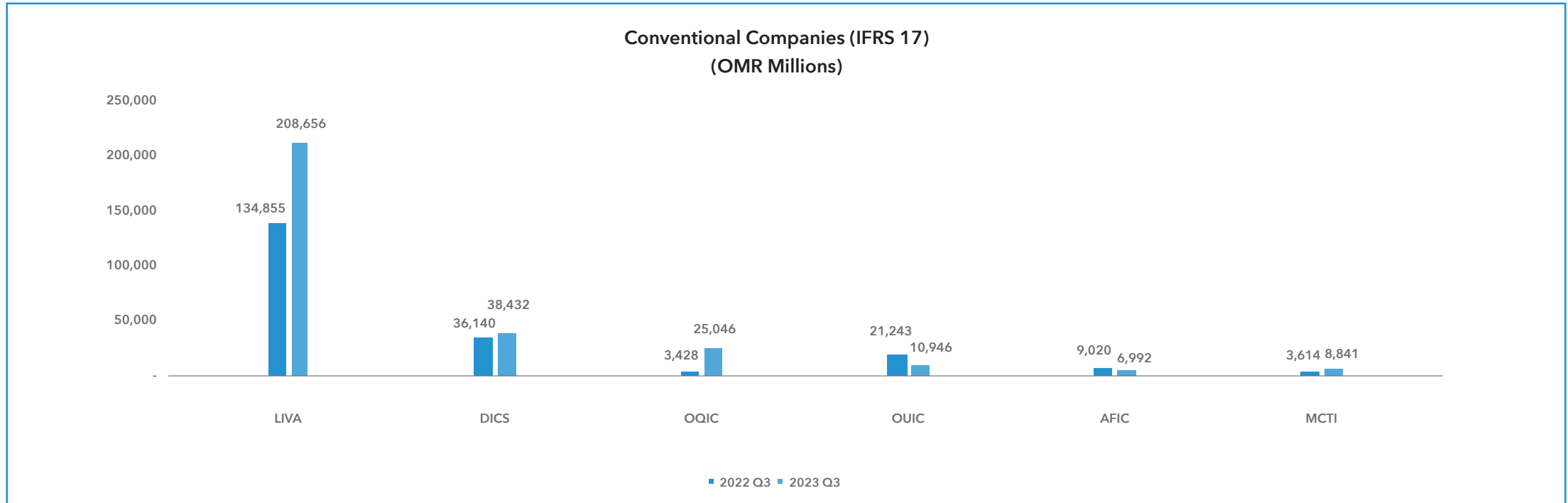


# INSURANCE SERVICE RESULTS – MOVEMENT



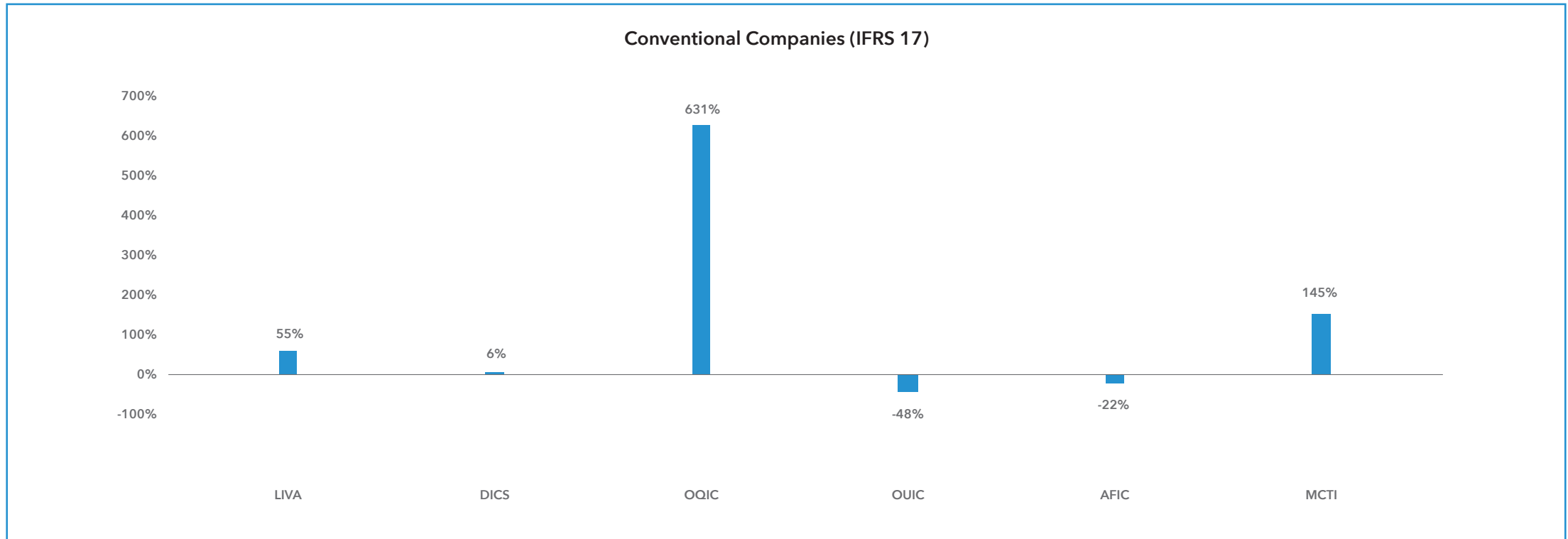
Dhofar Insurance had the strongest growth in Q3 2023, with OMR 2.5 million, a 311% increase. LIVA suffered the greatest reduction, with a 45% drop of OMR 3.8 million. Except for Dhofar Insurance, all companies saw a decrease in insurance service results during Q3 2023.

# INSURANCE SERVICE EXPENSE



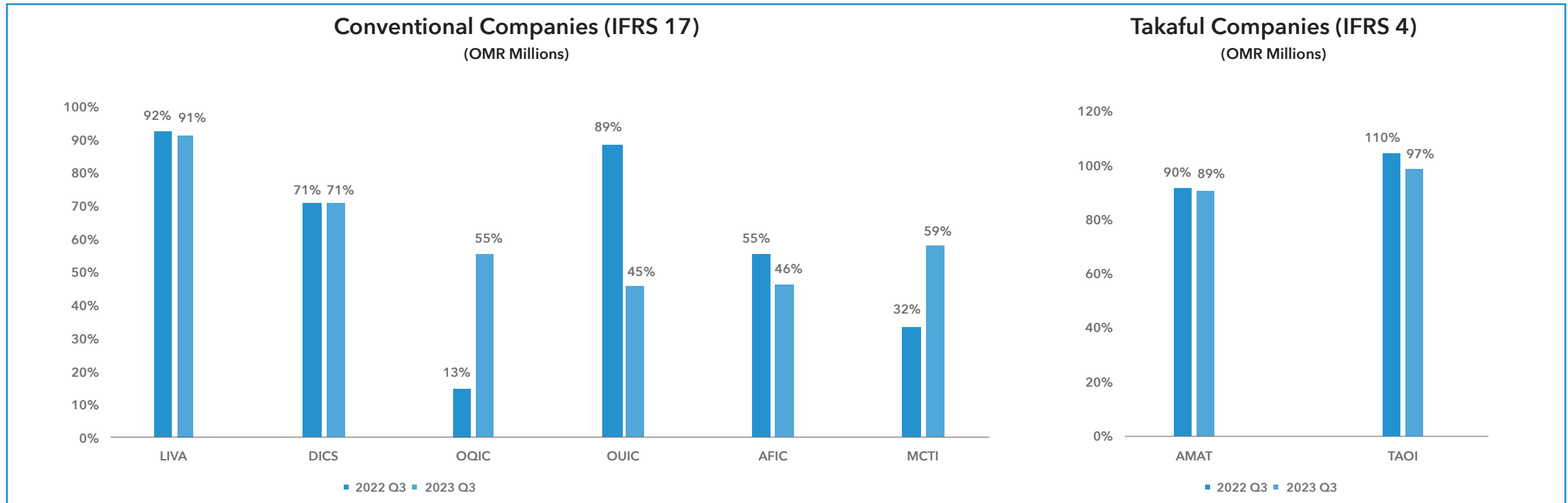
The insurance service expenses of 6 conventional companies went from OMR 208 million in Q3 2022 to OMR 299 million in Q3 2023, a 44% surge. With OMR 74 million and OMR 22 million, respectively, LIVA and Oman Qatar Insurance had the most substantial increases in insurance service expenses during the third quarter of 2023.

# INSURANCE SERVICE EXPENSE – MOVEMENT



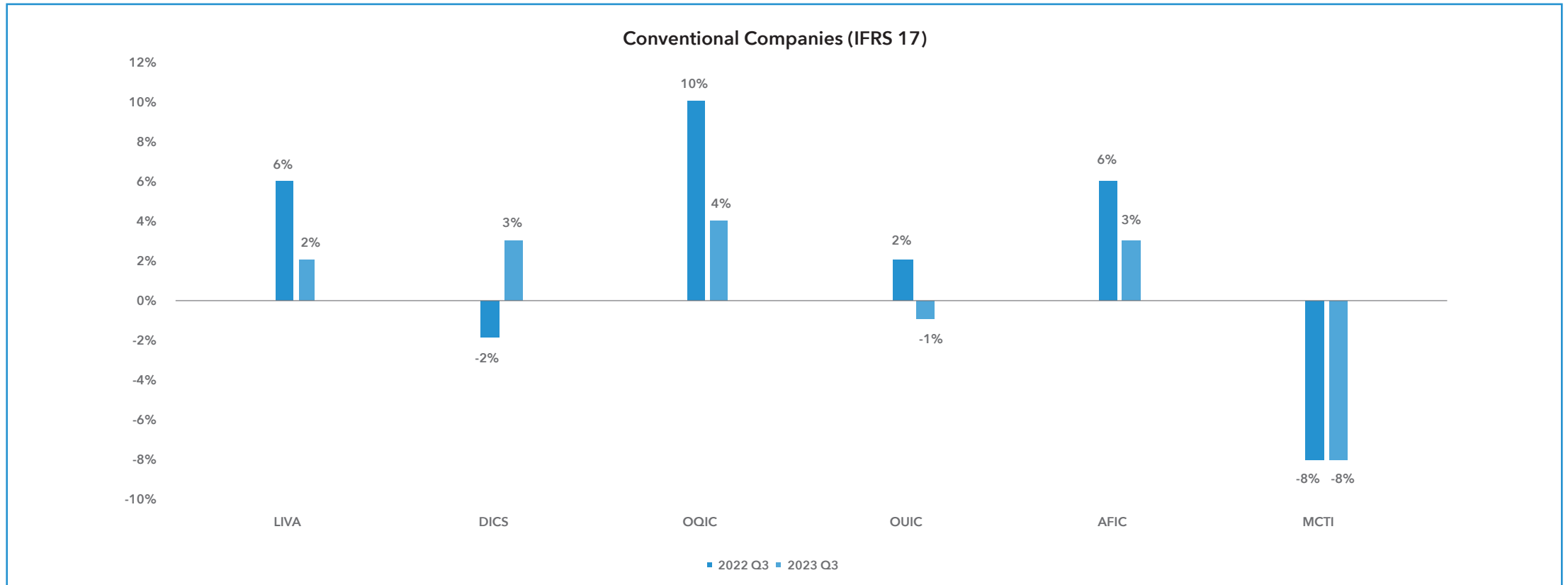
Oman United Insurance saw the biggest decrease of OMR 10 million from OMR 21 million in Q3 2022 to OMR 11 million in Q3 2023, while Oman Qatar Insurance saw the largest shift in its insurance service expenses, rising from OMR 3 million in Q3 2022 to OMR 25 million in Q3 2023.

# COMBINED RATIOS



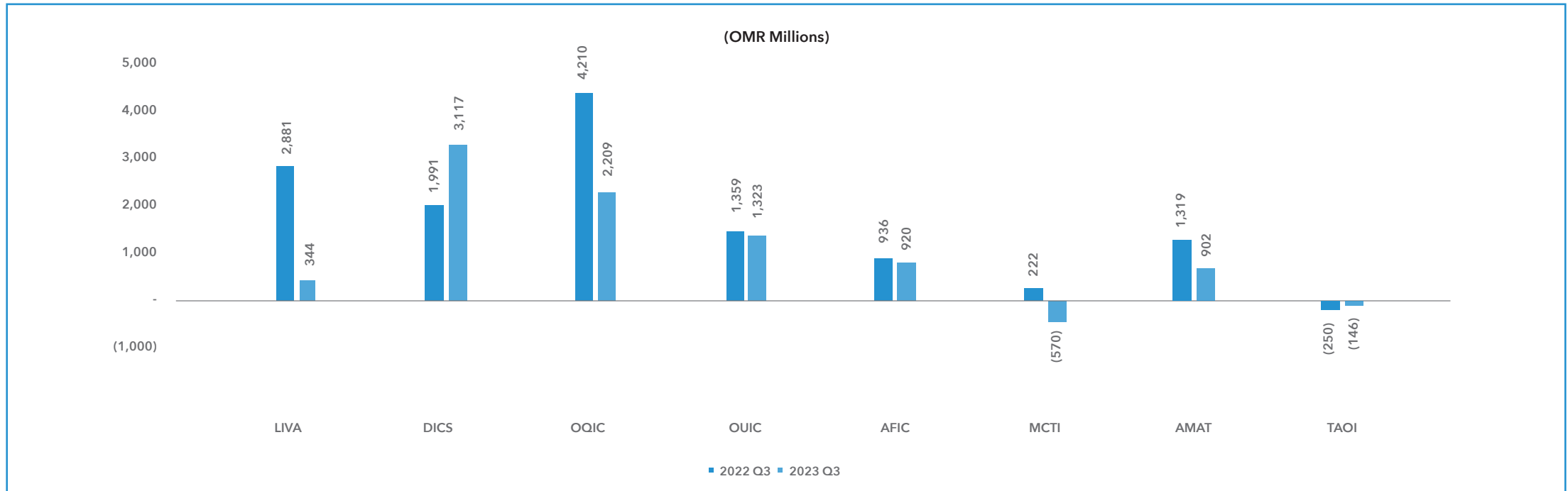
For conventional companies, the weighted average combined ratio was 78%, whereas for takaful companies, it was 93%. The Q3 2023 combined ratio data demonstrates significant swings in performance. Interestingly, OQIC shows a noteworthy 308% positive change, which suggests a large improvement in its combined ratio. Significant drops are observed for OUIC and AFIC, indicating increases in efficiency. A combined ratio below 100% indicates that the insurance company is making an underwriting profit. Conversely, a combined ratio above 100% indicates an underwriting loss. The combined ratio for conventional companies is computed as net insurance service expenses over insurance revenue and for takaful companies, it is the sum of loss ratio and expense ratio.

# INSURANCE SERVICE RATIOS



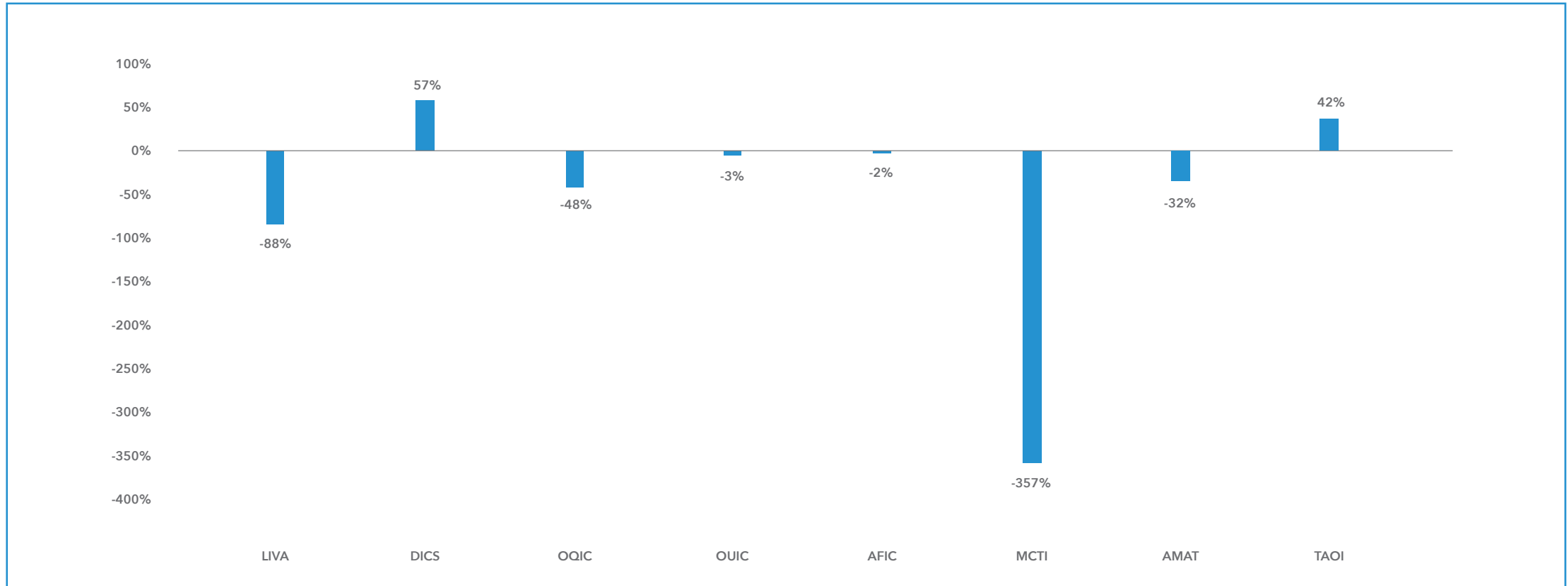
In Q3 2023, the insurance service ratio for 6 conventional companies dropped from 4% to 2%. In Q3 2023, Oman Qatar Insurance has the greatest ratio roughly 4% while Muscat Insurance has the lowest roughly -8%. The Insurance Service Ratio is computed as Insurance Service Results over Insurance Revenue.

# NET PROFIT/(LOSS) (AFTER TAX)



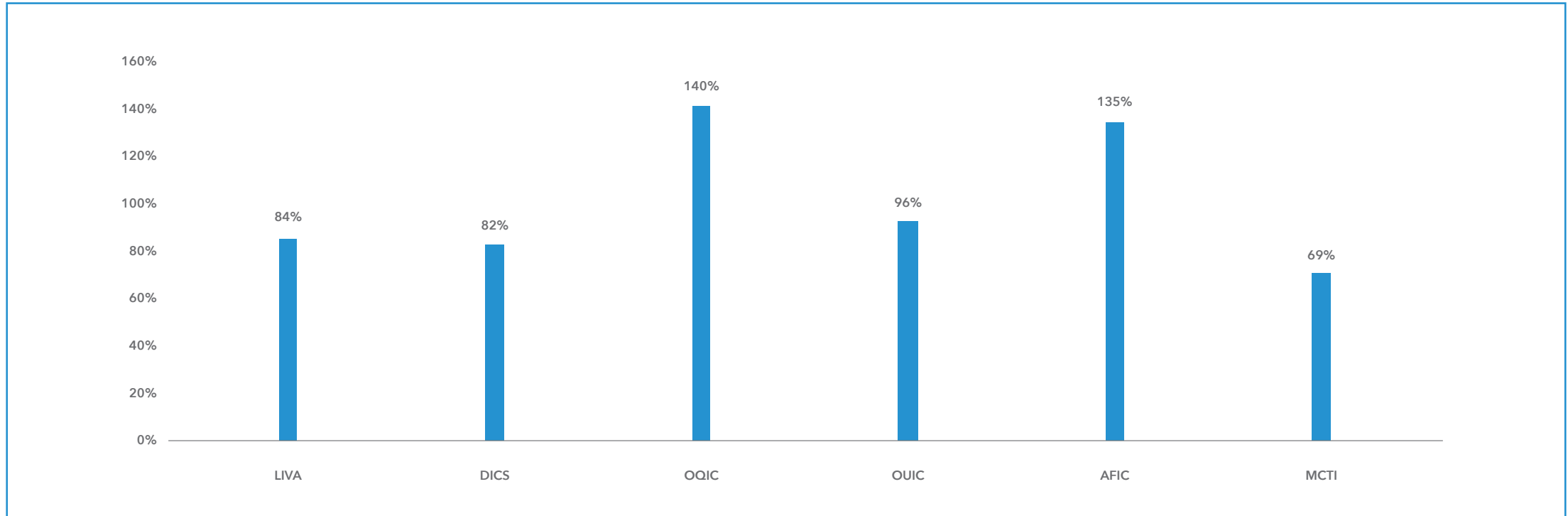
Except for Muscat Insurance and Takaful Oman Insurance, all companies made a profit in the third quarter of 2023. In Q3 2023, LIVA experienced the largest reduction of over OMR 3 million, or an 88% drop. Muscat Insurance Company's condition weakened in the third quarter of 2023, as evidenced by a decrease of OMR 0.8 million. Dhofar Insurance reported the largest net profit of OMR 3 million in Q3 2023, while Muscat Insurance recorded the lowest with a net loss of OMR -0.6 million. In Q3 2022, Oman Qatar Insurance recorded the highest net profit of OMR 4 million, while Takaful Oman Insurance recorded the lowest net profit of OMR -0.2 million.

# NET PROFIT/(LOSS) (AFTER TAX) - MOVEMENT



Dhofar Insurance and Takaful Oman Insurance's performance greatly increased compared to other companies. All other companies experienced significant decreases in their net profits. The greatest loss was faced by Muscat Insurance, which saw a drop of 357%.

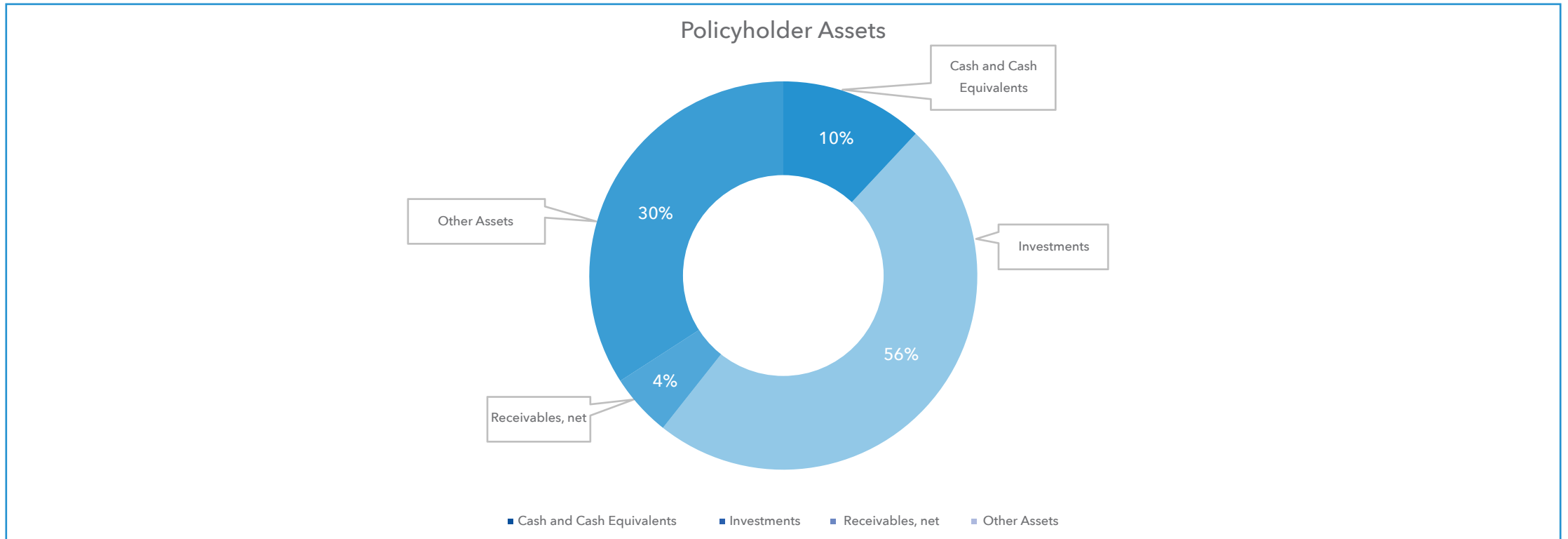
# PROFIT TRANSITION RATIO (Q3-2023) CONVENTIONAL COMPANIES IFRS 17



The Profit Transition Ratio contrasts the profit recorded for Q3 2023 under IFRS 4 from a year prior with the profits recorded for Q3 2022 according to the IFRS 17 financials released this quarter offering insights into the impact of the accounting standard transition on reported profits. The total profits for 6 conventional companies climb from OMR 11 million under IFRS 4 to OMR 12 million with IFRS 17. The overall impact is only 3%, with Oman Qatar Insurance showing the highest growth under IFRS 17 in Q3 2023 and Muscat Insurance showing the lowest growth under IFRS 17.

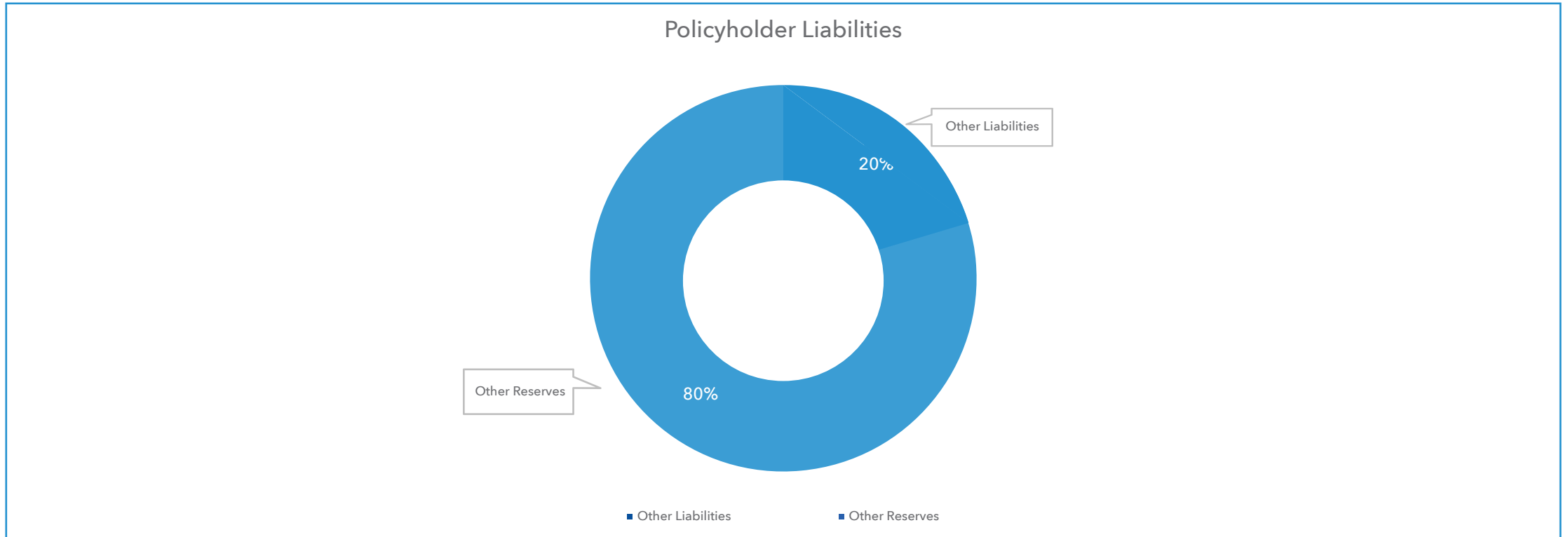


# ASSET CLASSIFICATION - AGGREGATE



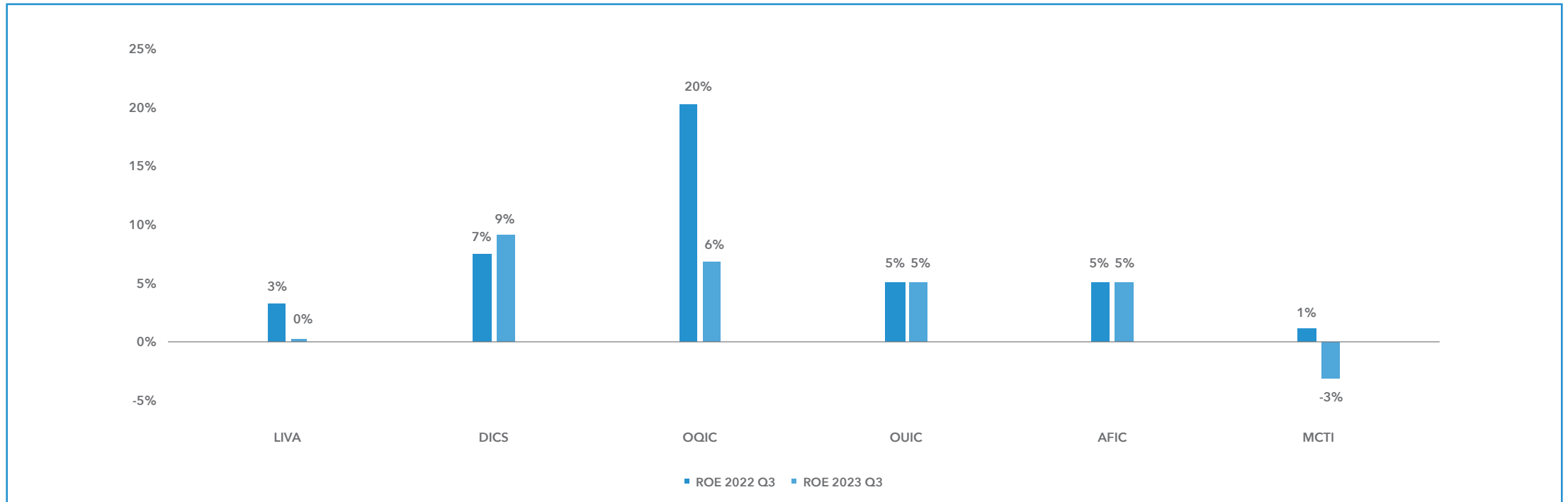
About 56% of policyholder assets relate to investments, 30% to other assets, 10% to cash and cash equivalents, and 4% to receivables. Investments constitute most of the policyholder assets.

# LIABILITY AND EQUITY CLASSIFICATION - AGGREGATE



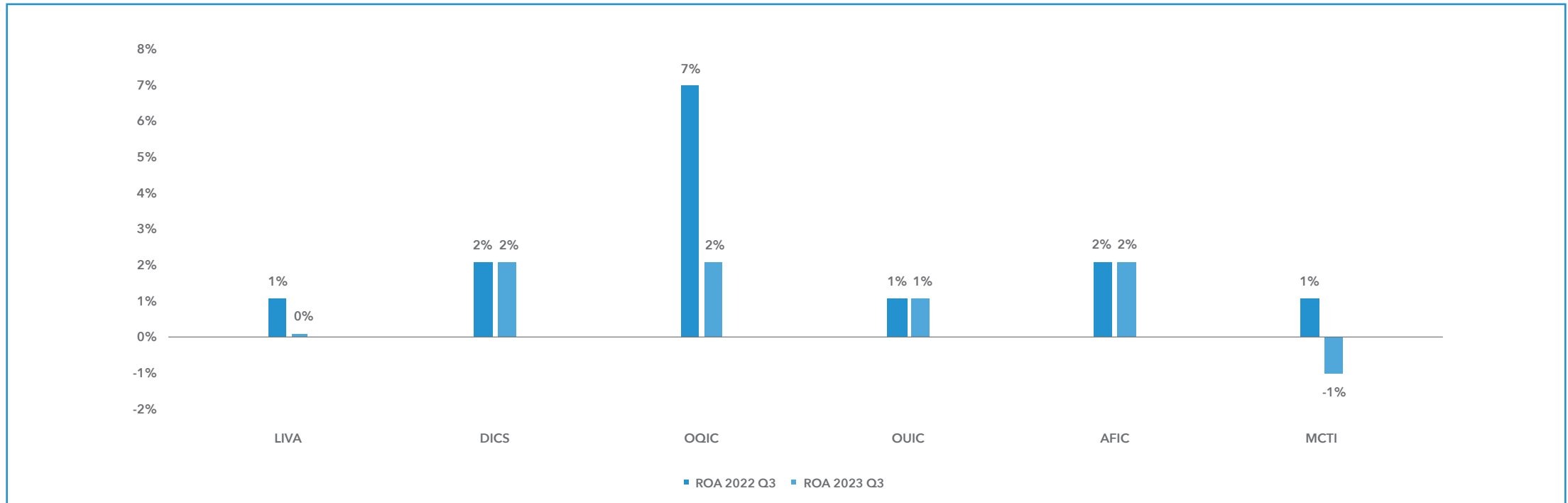
About 69% of the assets are financed by liabilities and about 31% are financed by equity.

# RETURN ON EQUITY (ROE)



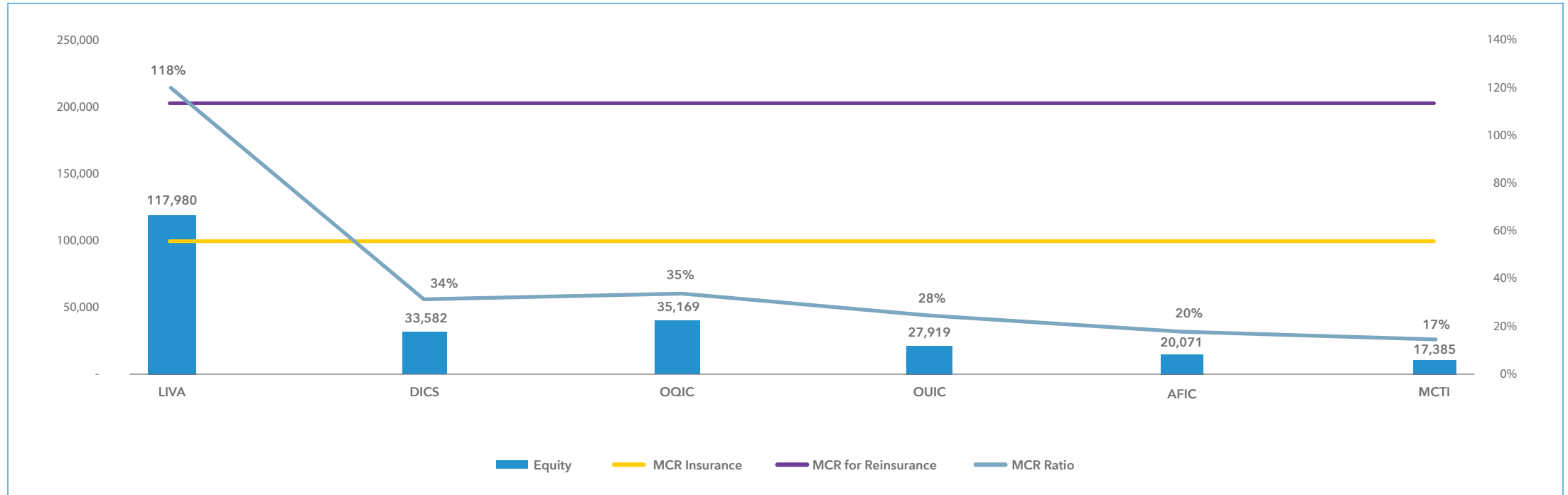
The Return on Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is at generating returns on the investment it received from its shareholders. In Q3 2023, the Return on Equity for Muscat Insurance and LIVA dipped by 4% and 3%, respectively. In Q3 2023, Dhofar Insurance used its equity more effectively than the other businesses.

# RETURN ON ASSET (ROA)



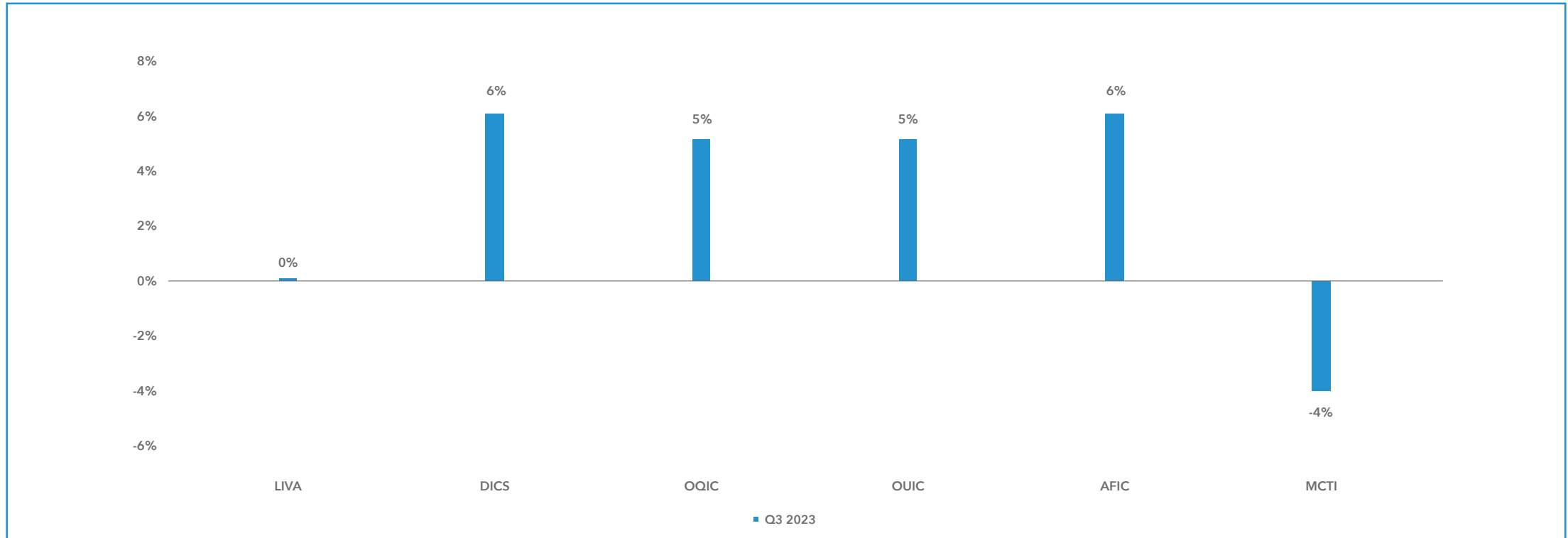
Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. In Q3 2023, the ROA of Oman Qatar Insurance was substantially lower, while Dhofar, Arabia Falcon, and Oman United have stayed uniform. Muscat Insurance reported the lowest ROA in Q3 2023, at -1%.

# SOLVENCY ANALYSIS



The solvency analysis for Q3 2023 reveals varying degrees of financial stability. LIVA exhibits an exceptionally high MCR ratio of 118%, signaling robust solvency positions. Conversely, companies like AFIC and MCTI with 20% and 17%, respectively, the MCR ratio displays a comparatively lower solvency level, indicating potential challenges in covering liabilities. OQIC maintains a moderate position with MCR ratios of 35%, suggesting a reasonable capacity to meet financial obligations. The overall spectrum of MCR ratios suggests diverse risk profiles among the companies, reflecting their capacity to meet financial obligations. Investors may find opportunities in companies with higher solvency, such as LIVA, while exercising caution with those exhibiting lower ratios.

# NET MARGINS



The net margin data for 6 listed conventional companies in Oman for Q3 2023 reveals a diverse range of profitability levels within the sector. Several companies, including DICS and AFIC with an impressive 6% net margin, OQIC and OUIIC at 5%, exhibit good profitability, potentially driven by effective cost management or lucrative underwriting practices. Conversely, companies such as MCTI show a negative net margin, indicating potential challenges in generating profits during the specified period. Notably, the majority of companies maintain positive net margins. The variation in net margins suggests disparities in business models, risk management strategies, and market positioning among these insurance entities.

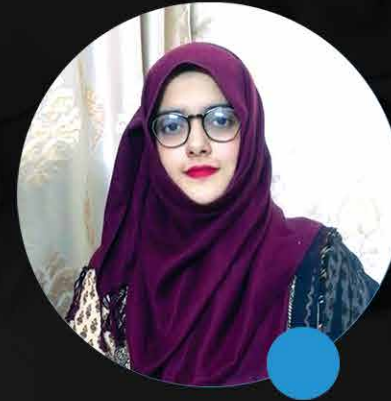
# MEET THE TEAM



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Data & Research Trainee

# SHMACONSULTING

## Feedback

SHMA Consulting is proud to present Insurance Industry Analysis - OMAN for - Q3 2023. 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.



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**THANK YOU**

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ROYAL OPERA HOUSE MUSCAT