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INSURANCE INDUSTRY OMAN 2023

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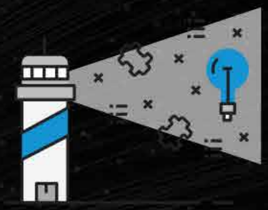

VISION

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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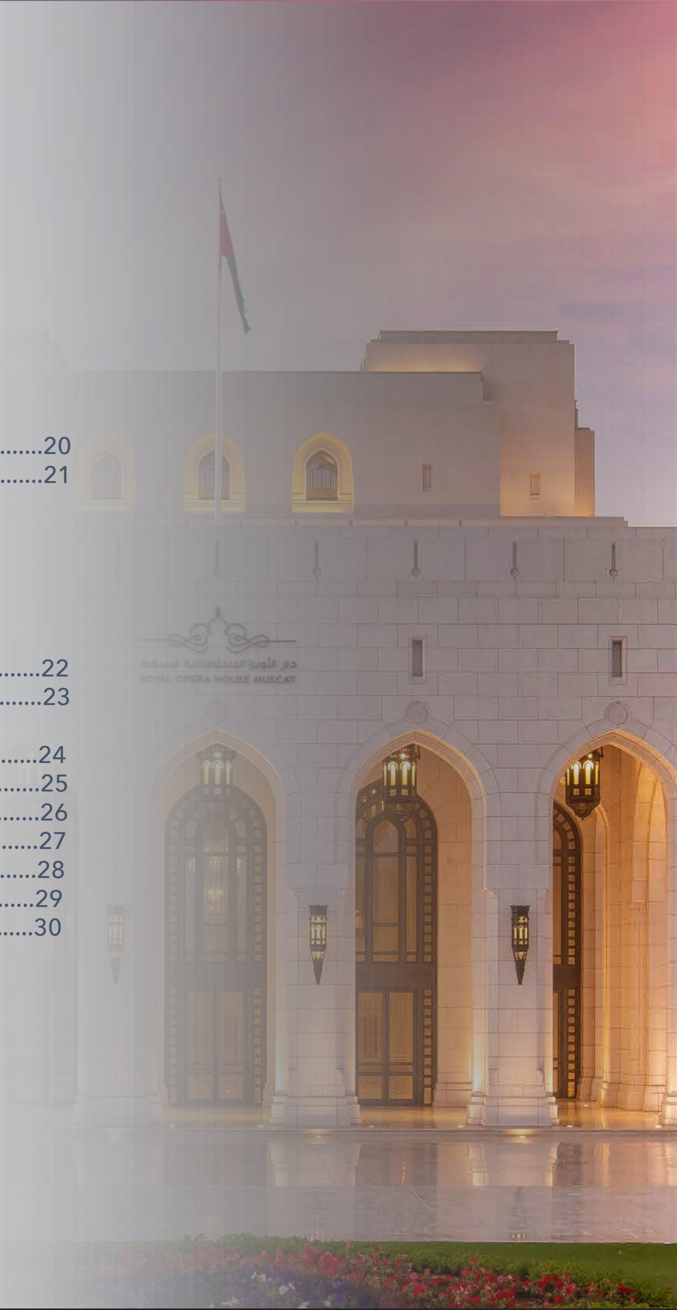


ABOUT US

SHMA is the outcome of an initiative taken by a team of dedicated, young, and dynamic Actuarial professionals aiming to provide specialized and client-focused Actuarial and financial consulting services on insurance, retirement, enterprise risk and investment management matters.

Over time and through continued success, SHMA has grown to cover even more areas of specialty. We now operate through three offices, covering Pakistan, the U.A.E, and KSA.

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.

Our Services

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.

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

GENERAL INSURANCE

- 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

ERM AND CAPITAL MODELING

- 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

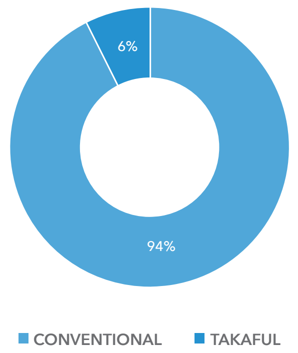
LIMITATIONS AND DISCLAIMERS

- 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

2023



Gross Contribution (Takaful Companies)

OMR 77 Mn

Net Earned Contribution (Takaful Companies)

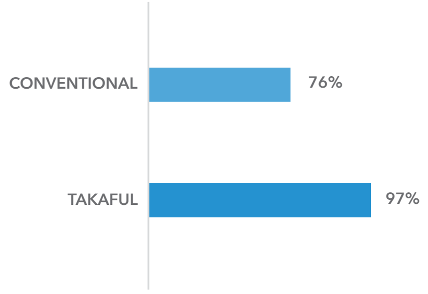
OMR 33 Mn

Insurance Revenue (Conventional Companies)

OMR 519 Mn

▲ 35%

Combined Ratios



Total Profit/Loss After Tax (Takaful Companies)

OMR 0.30 Mn

▼ 114%

Total Profit/Loss After Tax (Conventional Companies)

OMR 19.48 Mn

▲ 28%

Total Assets

OMR 834 Mn

▲ 9%

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 & 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.

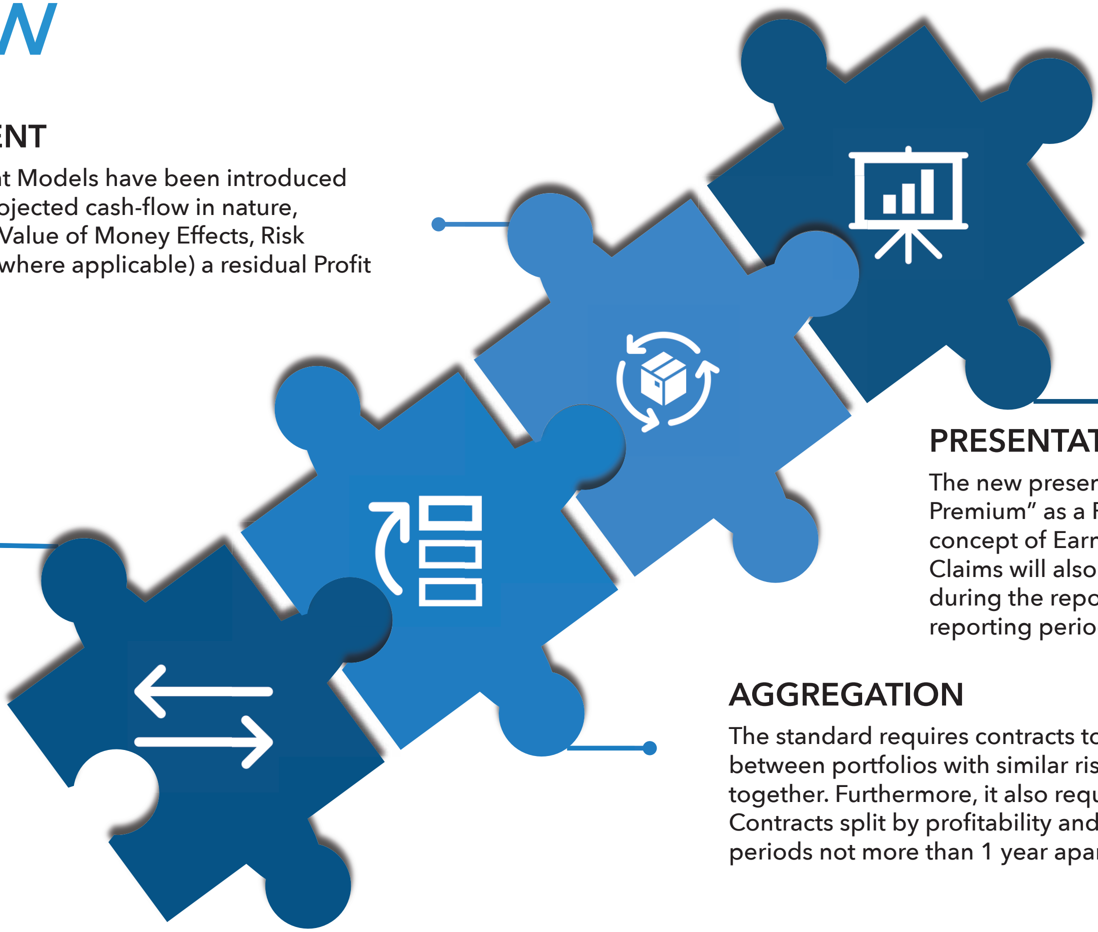
IFRS-17 – OVERVIEW

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.



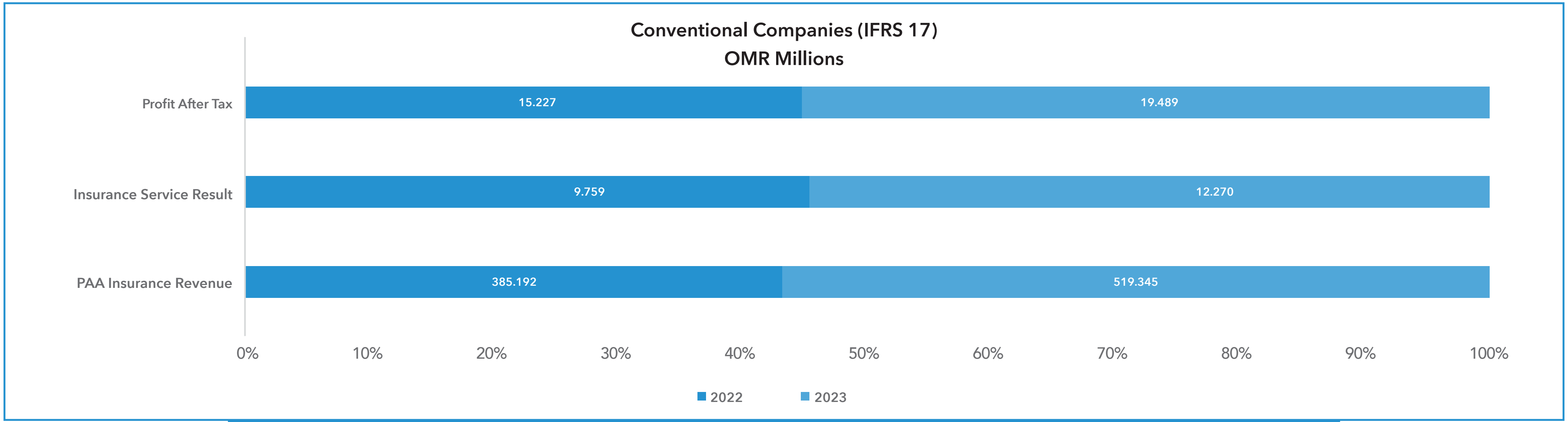
PRESENTATION

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 for conventional insurance companies in Oman increased from OMR 15 Million in 2022 to OMR 19 million in 2023, reflecting a significant growth of approximately 28% year-over-year, indicative of improved financial performance and potential market expansion.

Insurance service results for conventional insurance companies in Oman rose from OMR 10 million in 2022 to OMR 12 million in 2023, indicating a notable increase of approximately 26%, suggesting improved operational efficiency and potentially higher premium income or lower claims expenses.

Insurance's revenue grew from OMR 385 million (2022) to OMR 519 million (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 year 2023.

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

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

In terms of revenue, all insurance companies maintained their positions at the year-end of 2023, with LIVA leading the way in both years. In terms of profit, LIVA Insurance also leads the pack with a 107% increase in 2023. The position of Oman-Qatar has slipped two spots representing a loss of OMR 0.26 million. Arabia Falcon, Muscat Insurance, and Oman United Insurance's positions remain stable at the year-end of 2023.

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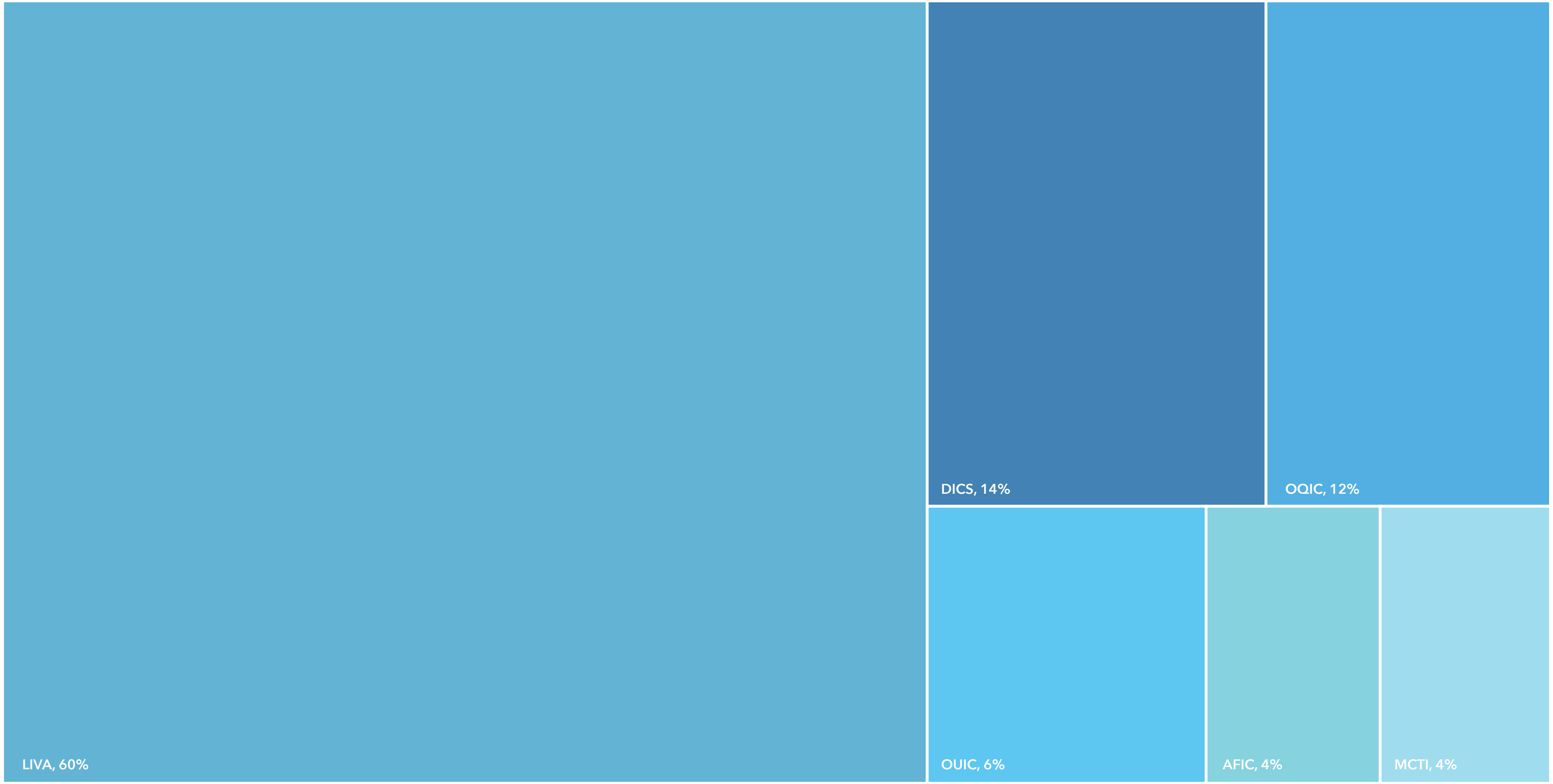
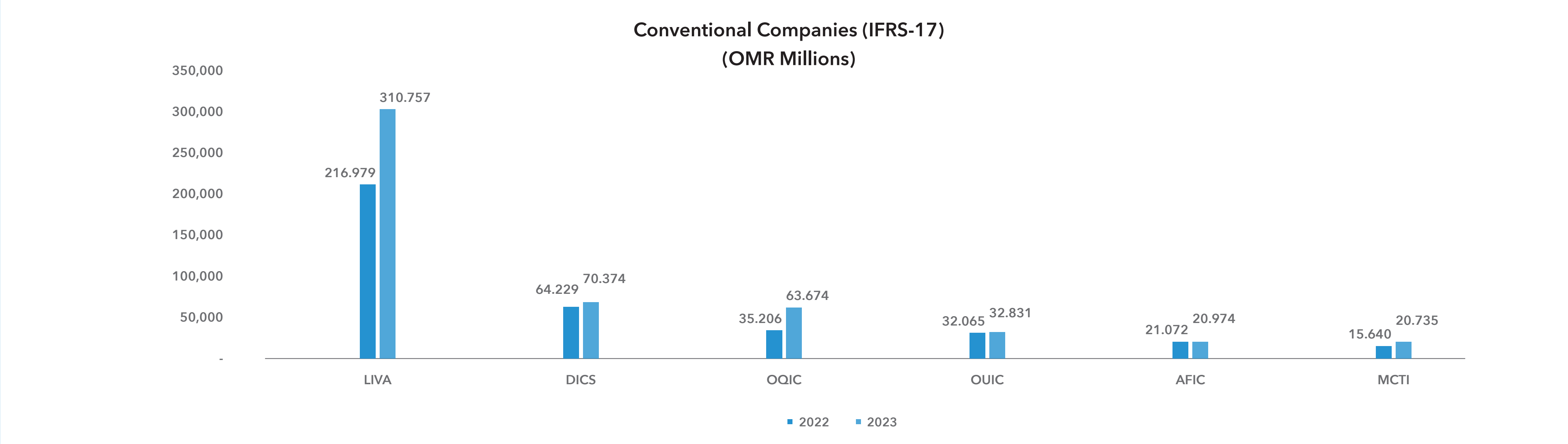
MARKET SHARE PROPORTION

Conventional Companies (IFRS-17)

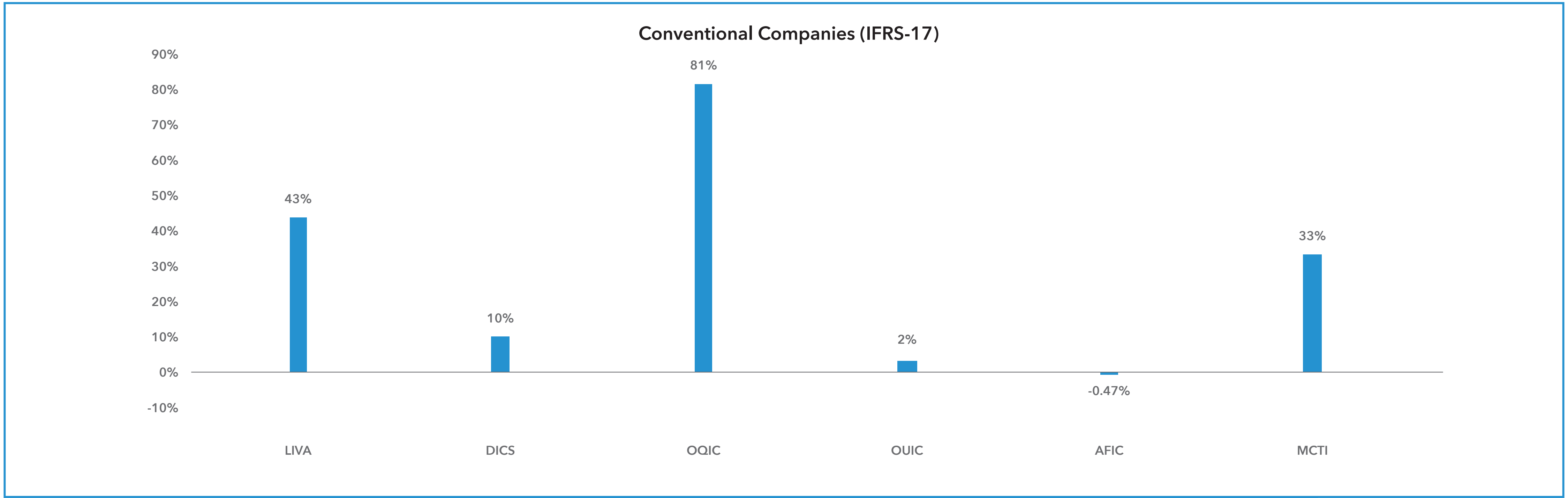


INSURANCE REVENUE



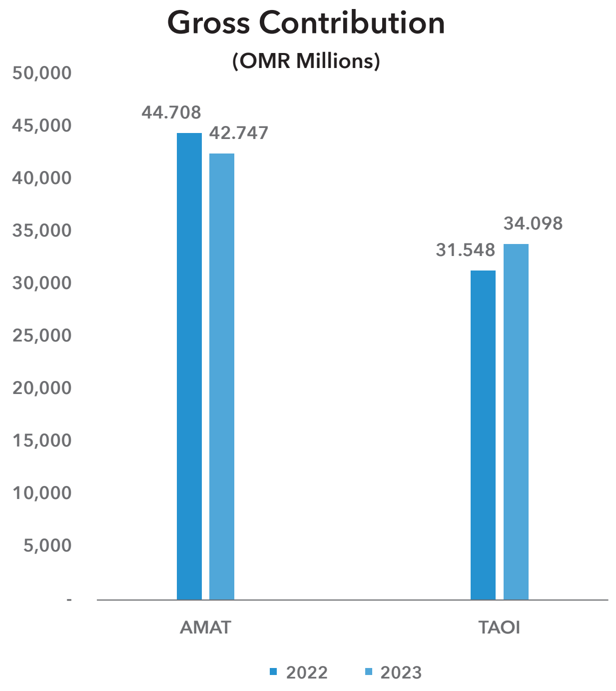
In 2023, LIVA led the conventional insurance companies in Oman with an impressive increase in insurance revenue from 216.979 million to 310.757 million, signaling robust growth. DICS and OUIC also saw revenue growth, albeit at a slower pace, while AFIC experienced a slight decline. MCTI maintained a relatively stable revenue level. Overall, the graph suggests a mixed performance across the companies, with some experiencing substantial growth and others facing challenges or maintaining stability in their revenue streams.

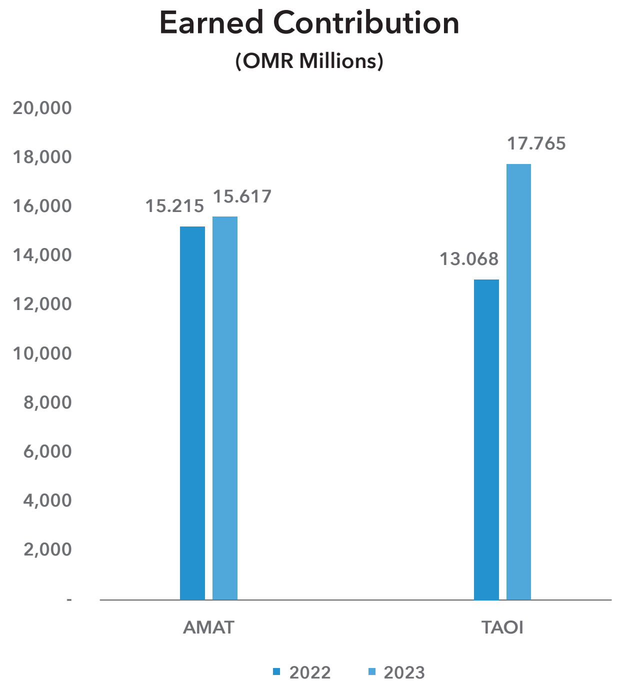
INSURANCE REVENUE – MOVEMENT



In 2023, LIVA demonstrated a significant growth rate of 43%, indicating strong performance and possibly effective market strategies. OQIC recorded the highest growth rate at 81%, reflecting a remarkable surge in revenue, potentially driven by successful business initiatives. While DICS and MCTI also experienced notable growth rates of 10% and 33% respectively, OUIC showed modest growth at 2%. AFIC saw a marginal decline of -0.47%, highlighting potential challenges or market dynamics impacting its revenue.

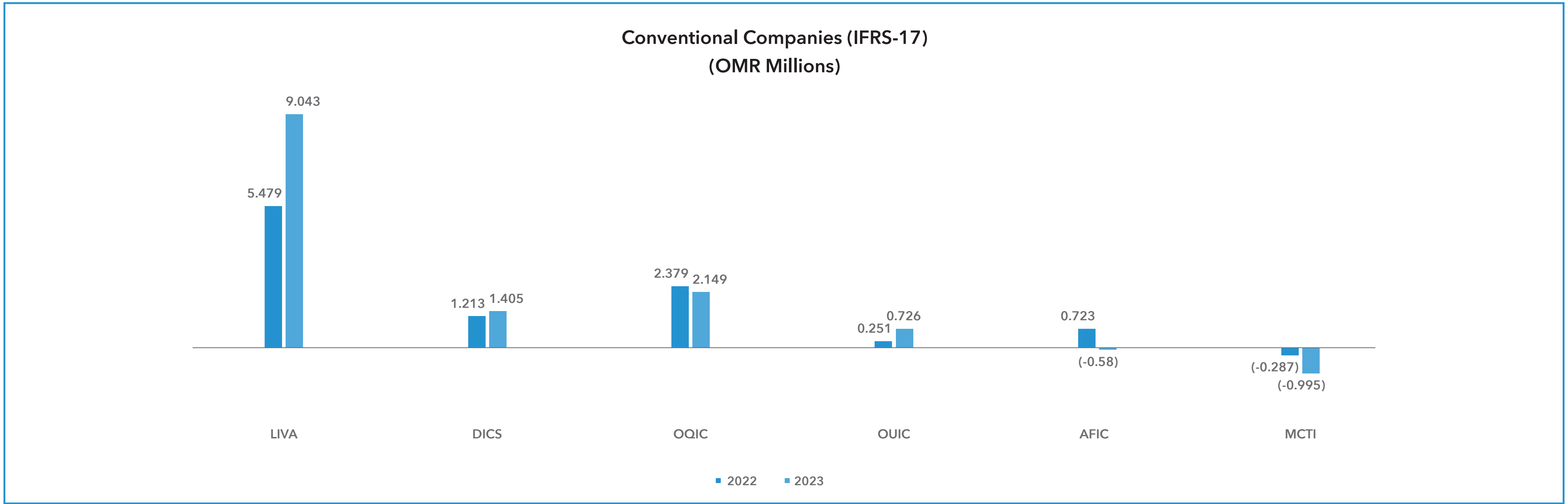
TAKAFUL COMPANIES (IFRS-4)





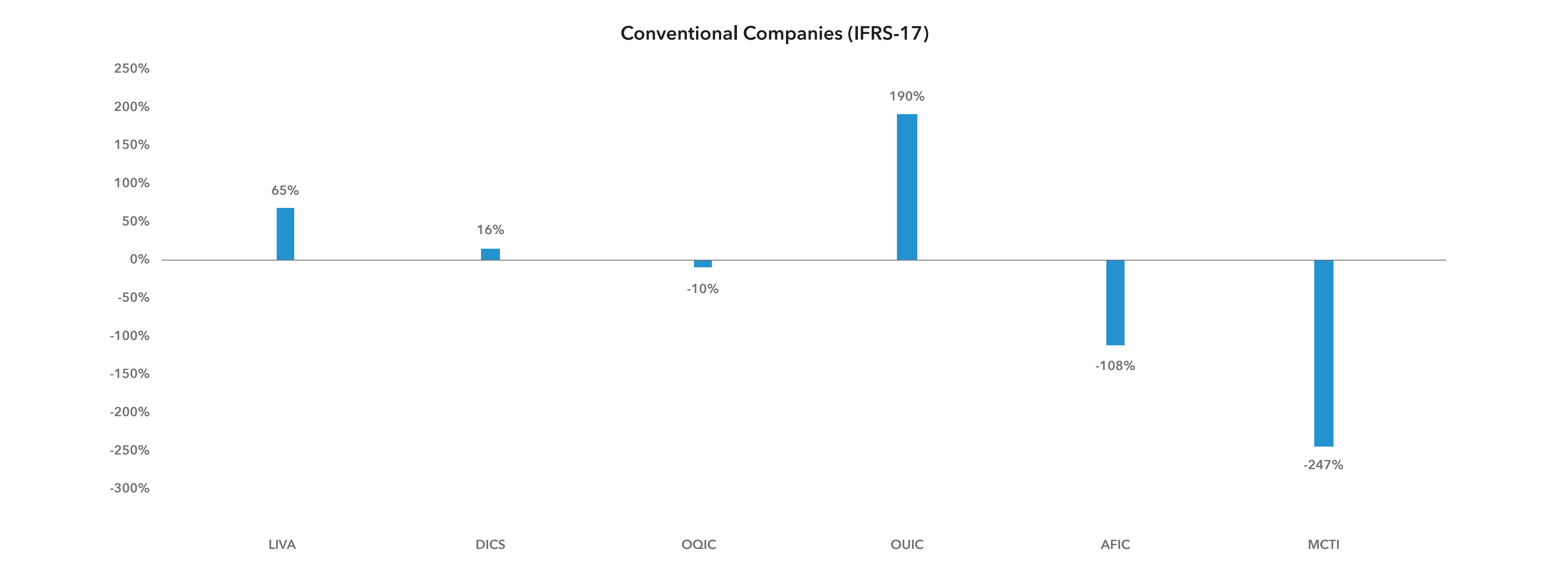
For 2 listed takaful companies based on IFRS 4, the gross contribution increased by 1% from OMR 76.256 million in 2022 to OMR 76.845 million in 2023. Earned contribution increased by 18% from OMR 28 million in 2022 to OMR 33 million in 2023.
While the gross contribution remained relatively stable, the notable increase in net earned contribution suggests enhanced profitability and potentially stronger underwriting practices. This positive trend in net earned contribution indicates a favorable trajectory for the financial health and sustainability of these takaful insurance companies in Oman.

INSURANCE SERVICE RESULTS



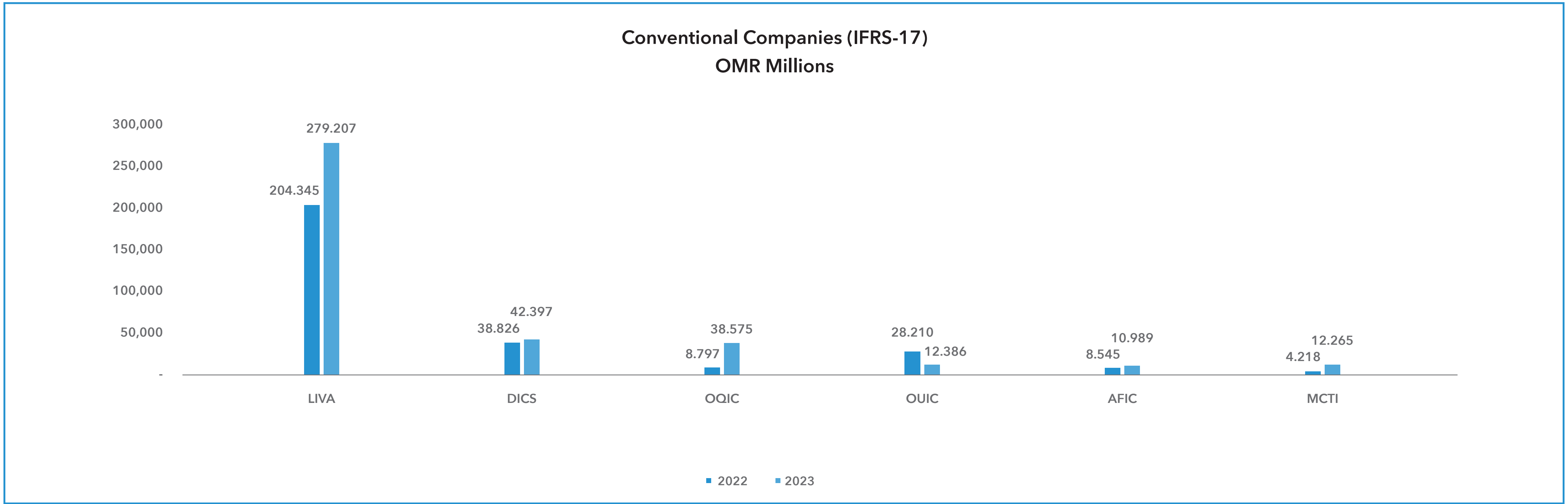
For the year 2023, the insurance service result for 6 conventional companies increases by OMR 2.5 million with an expansion of 26%. Notably, LIVA demonstrated substantial growth in ISR from OMR 5,479 million in 2022 to OMR 9,043 million in 2023, indicating improved operational performance or potentially increased demand for its insurance services while OUIC saw a significant surge from OMR 251 million to OMR 726 million, suggesting enhanced operational efficiency or business expansion efforts. However, AFIC and MCTI's Insurance service results declined from OMR 723 million to OMR -58 million, and OMR -287 million to OMR -995 million respectively, indicative of potential challenges or adverse performance which highlights significant operational difficulties.

INSURANCE SERVICE RESULTS – MOVEMENT



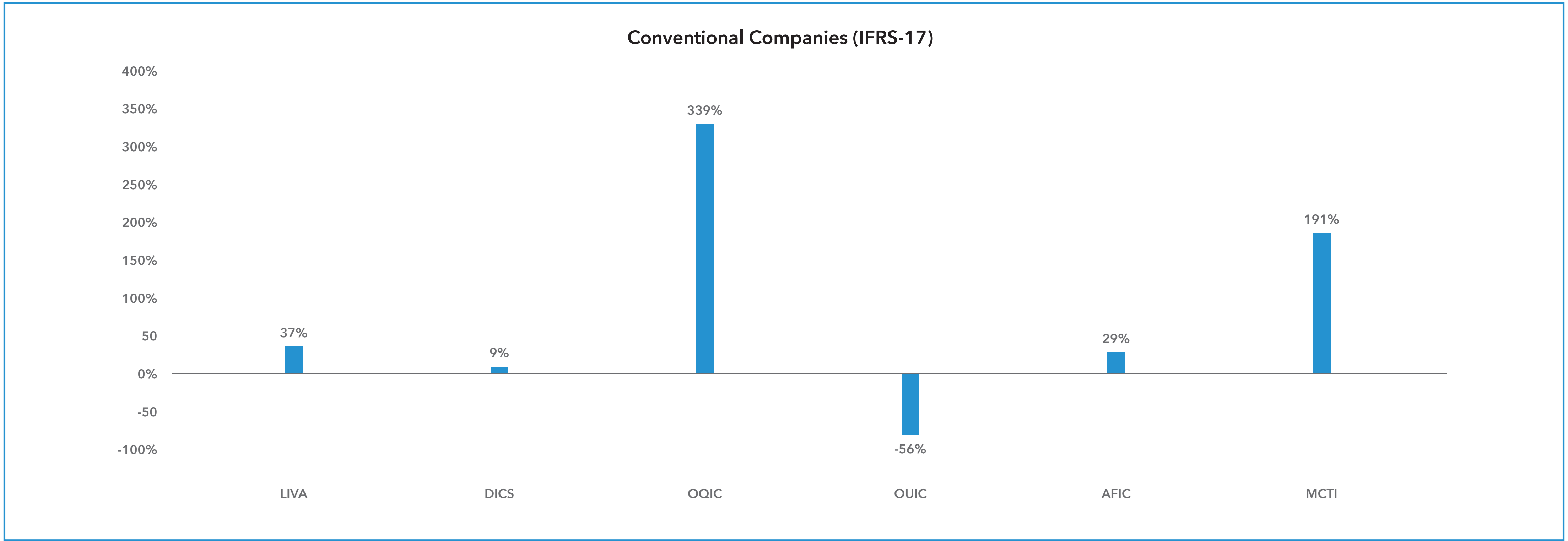
Oman United Insurance had the strongest growth in 2023, with OMR 0.47 million, a 190% increase. MCTI suffered the greatest reduction, with a 247% drop of OMR 0.71 million. LIVA also shows a notable increase in ISR of 65% in the year 2023. Overall, the graph underscores the mixed performances, with companies experiencing a range of successes and challenges in navigating market conditions and maintaining operational performance.

INSURANCE SERVICE EXPENSE



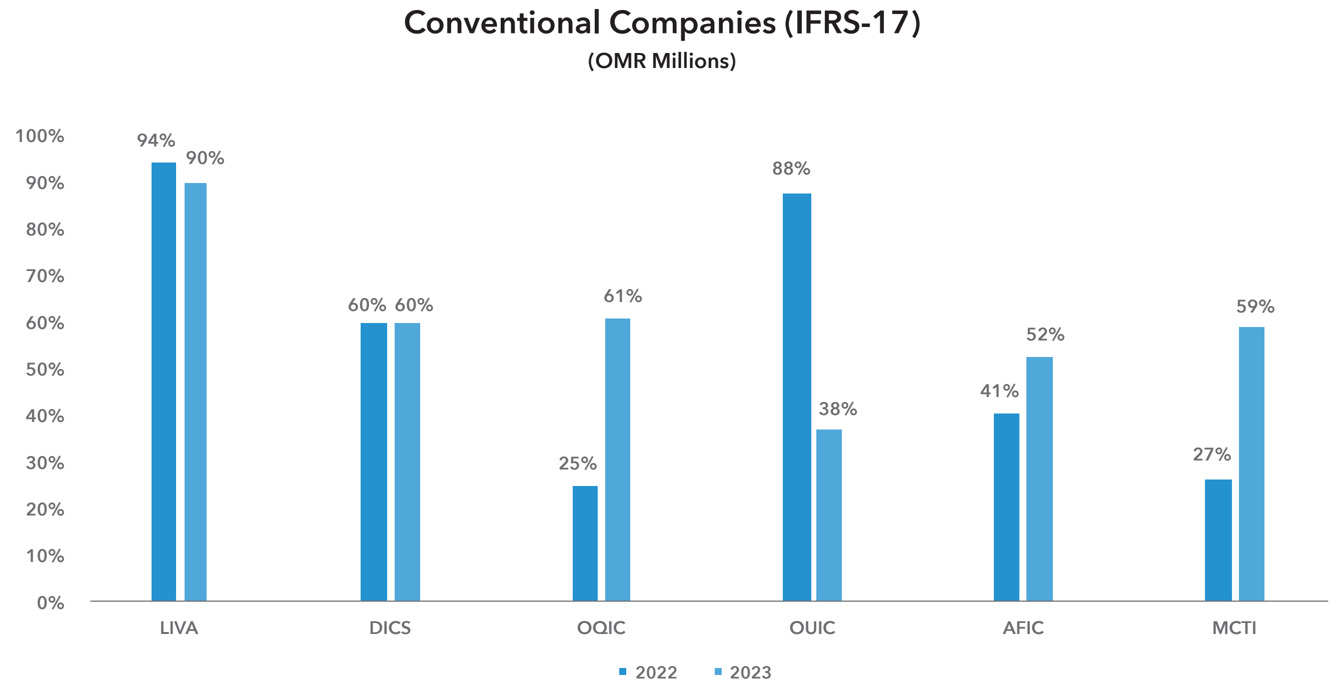
The insurance service expenses of 6 conventional companies went from OMR 293 million in 2022 to OMR 396 million in 2023, a 36% surge. LIVA demonstrated the highest absolute increase, followed by DICS and OQIC. However, OUIC experienced a decrease in expenses, possibly indicating strategic shifts or cost-saving measures.

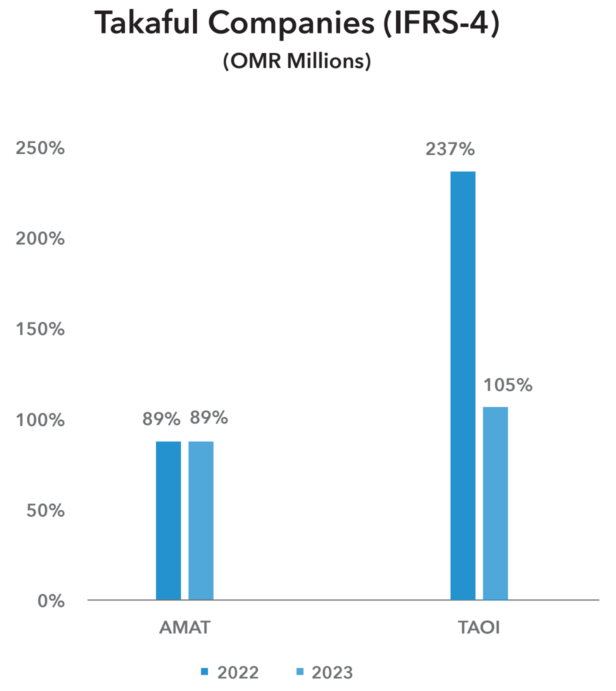
INSURANCE SERVICE EXPENSE – MOVEMENT



Oman Qatar Insurance experienced a substantial increase of 339%, indicating a significant expansion in its operations. Conversely, OUIC saw a notable decrease of 56%, suggesting potential cost-cutting measures or shifts in strategy. Overall, these fluctuations illustrate the dynamic nature of the insurance sector in Oman during the year 2023, with some companies experiencing rapid growth while others implement measures to manage expenses.

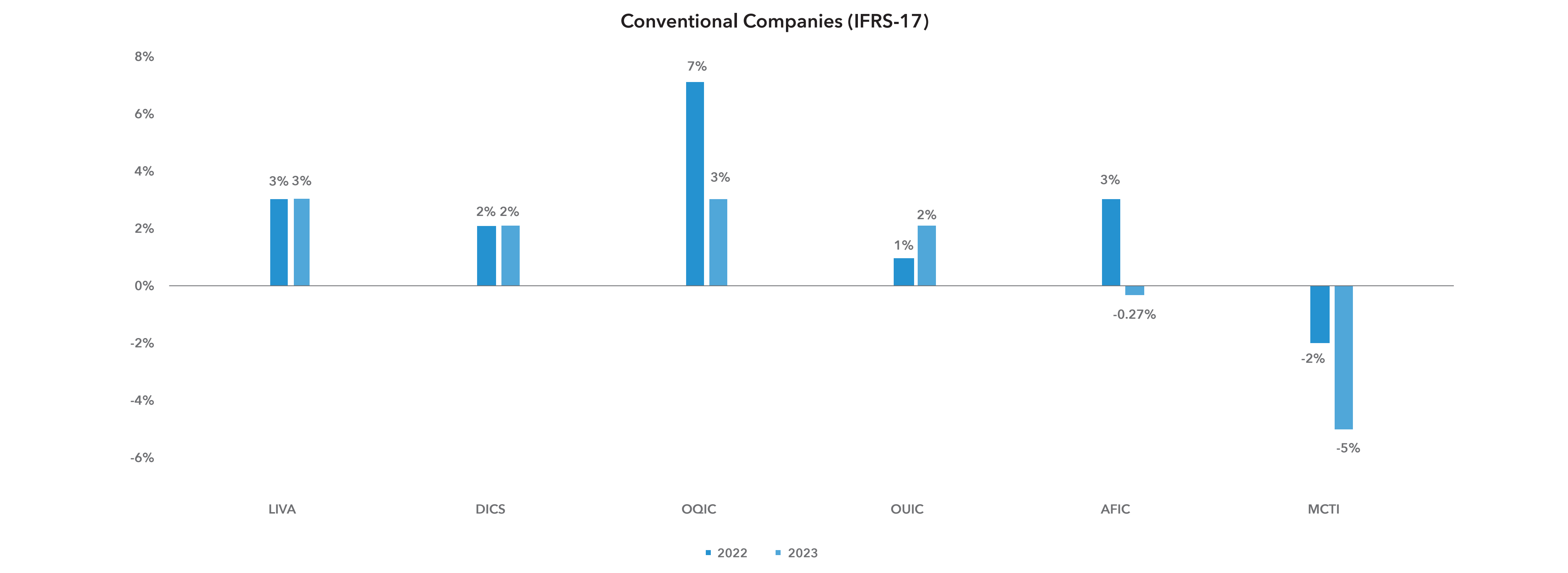
COMBINED RATIOS





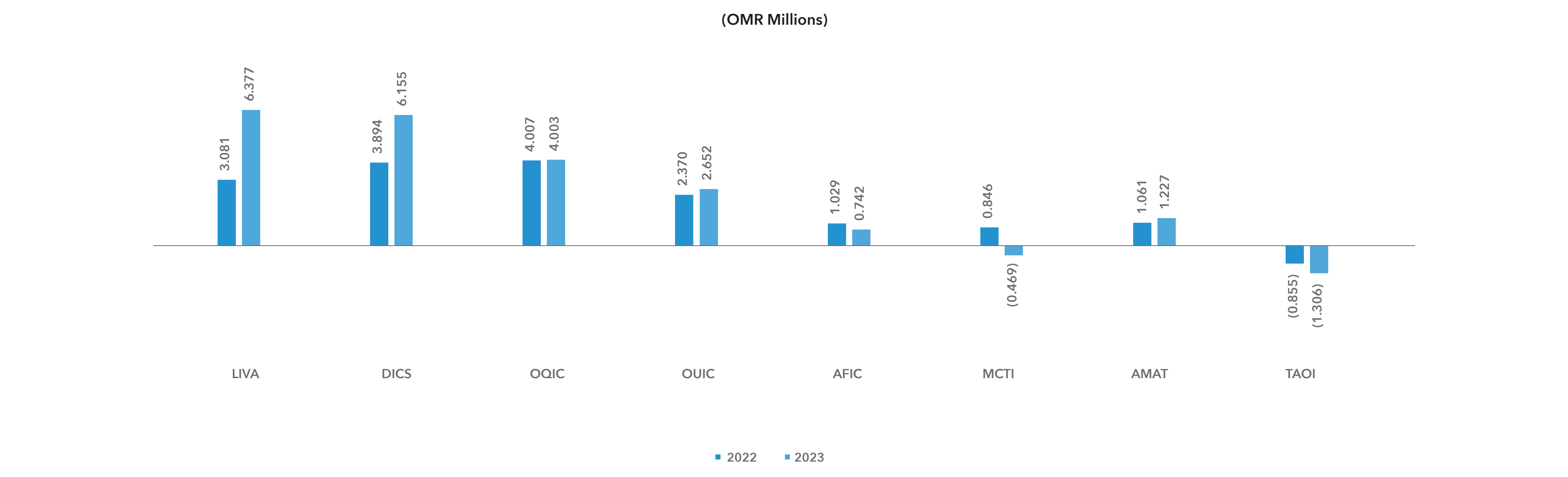
For conventional companies, the weighted average combined ratio was 76%, whereas for takaful companies, it was 97%. LIVA and OUIC in the conventional sector, saw reductions in their combined ratios, indicating better underwriting and operational efficiencies. Interestingly, OQIC shows a noteworthy 142% positive change, which suggests a large improvement in its combined ratio. Conversely, there were instances of deterioration, like TAOI in the Takaful sector, which experienced a significant decrease in its combined ratio, potentially signaling challenges in managing underwriting and operational costs effectively. 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.

INSURANCE SERVICE RATIOS



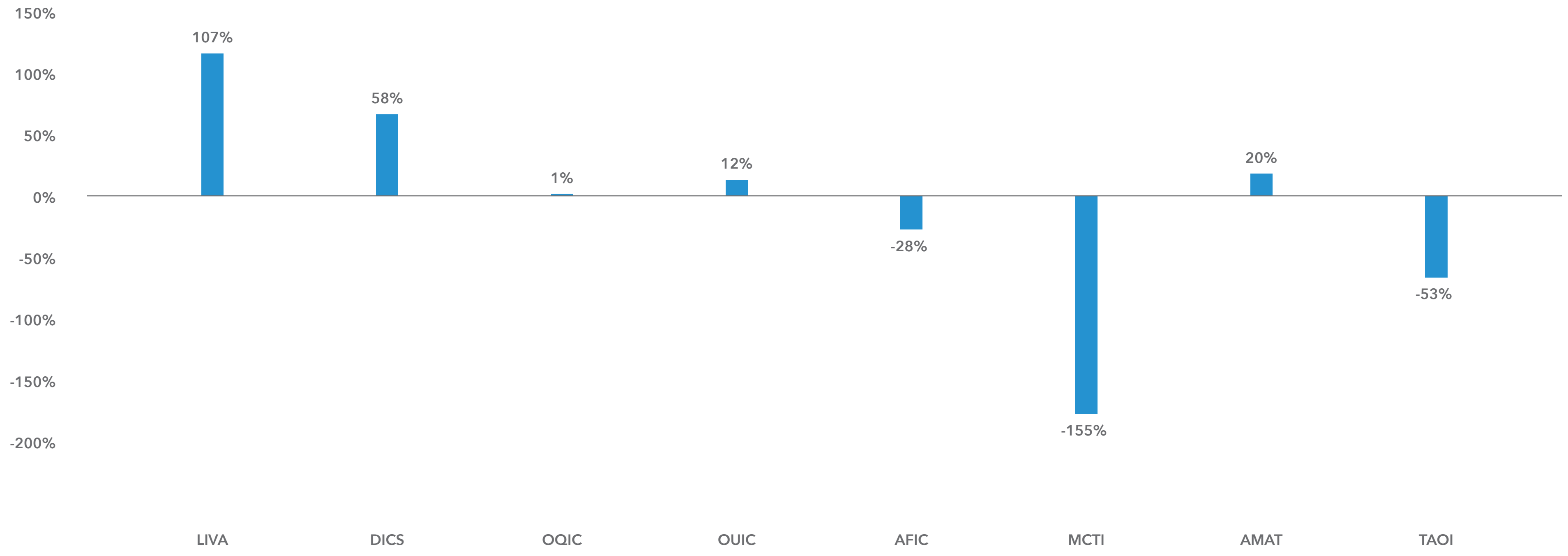
In 2023, the insurance service ratio for 6 conventional companies dropped from 3% to 2%. OQIC experienced a significant decrease from 7% to 3%, possibly indicating improved operational efficiency while LIVA and DICS maintained stable ratios. Conversely, AFIC recorded a notable decline from 3% to -0.27%, suggesting potential challenges or shifts in business strategies. MCTI also saw a decrease from -2% to -5%, highlighting a worsening financial performance during the year 2023.

NET PROFIT/(LOSS) (AFTER TAX)



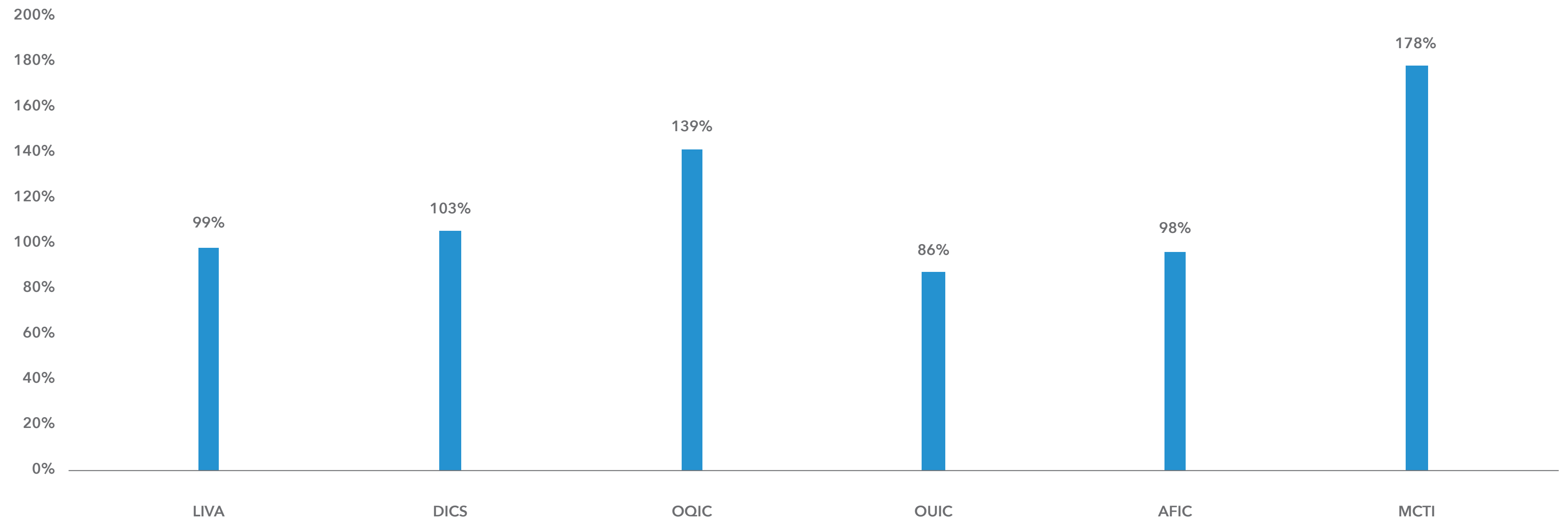
In 2023, LIVA, DICS, OUIC, and AMAT saw increases in their net profits, indicating improved financial performance. Conversely, AFIC and TAOI experienced decreases in their profits, suggesting potential challenges or adverse market conditions. Notably, MCTI recorded a negative net profit with a drop of 155% in 2023, indicating significant financial losses during the period. The overall profit after tax of Omani Insurance companies rose from OMR 15 million in 2022 to OMR 19 million in 2023.

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



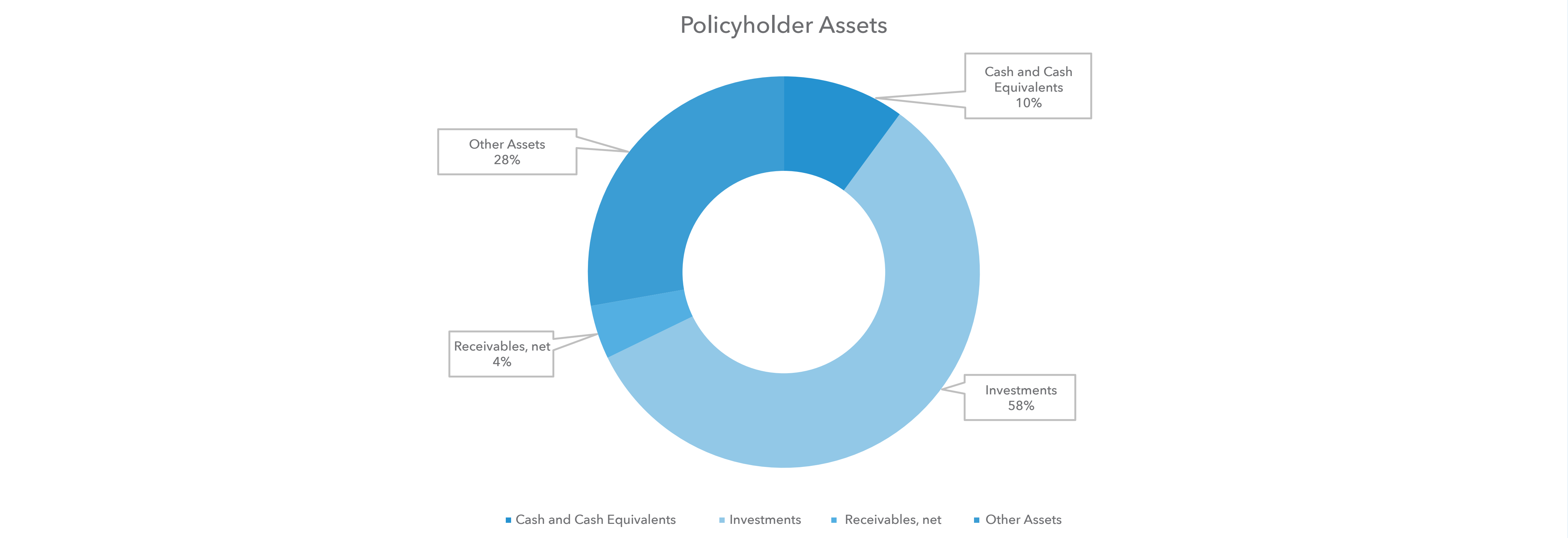
For the year 2023, LIVA and DICS exhibited substantial increases of 107% and 58% respectively, indicating strong growth in profitability, others like AFIC and MCTI experienced significant declines, with MCTI recording a staggering decrease of 155%. Notably, OQIC remained relatively stable with a marginal 1% change, while TAOI saw a notable decrease of 53%.

PROFIT TRANSITION RATIO (2022) CONVENTIONAL COMPANIES IFRS-17



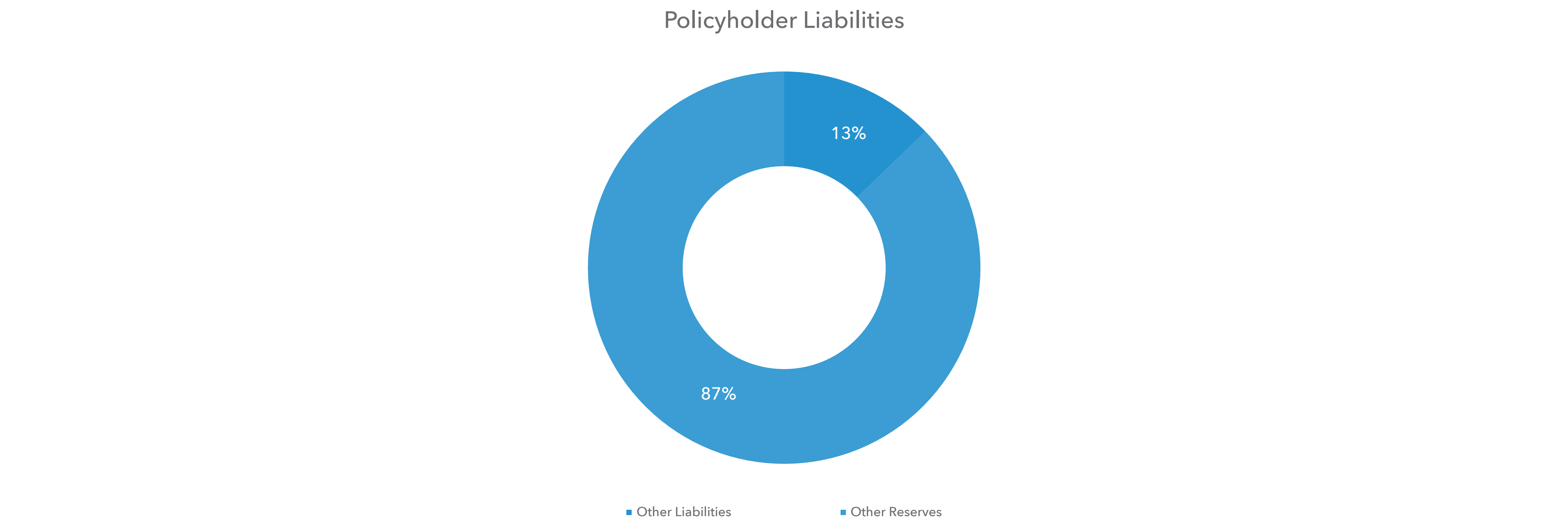
The Profit Transition Ratio contrasts the profit recorded for 2022 under IFRS-4 from a year prior with the profits recorded for 2022 according to the IFRS-17 financials released this quarter offering insights into the impact of the accounting standard transition on reported profits. The total profits for 6 conventional companies climb from OMR 14 million under IFRS-4 to OMR 15 million under IFRS-17. The overall impact is 10%, with Muscat Insurance showing the highest growth under IFRS-17 in 2022 and Oman United Insurance showing the lowest growth under IFRS-17.

ASSET CLASSIFICATION - AGGREGATE



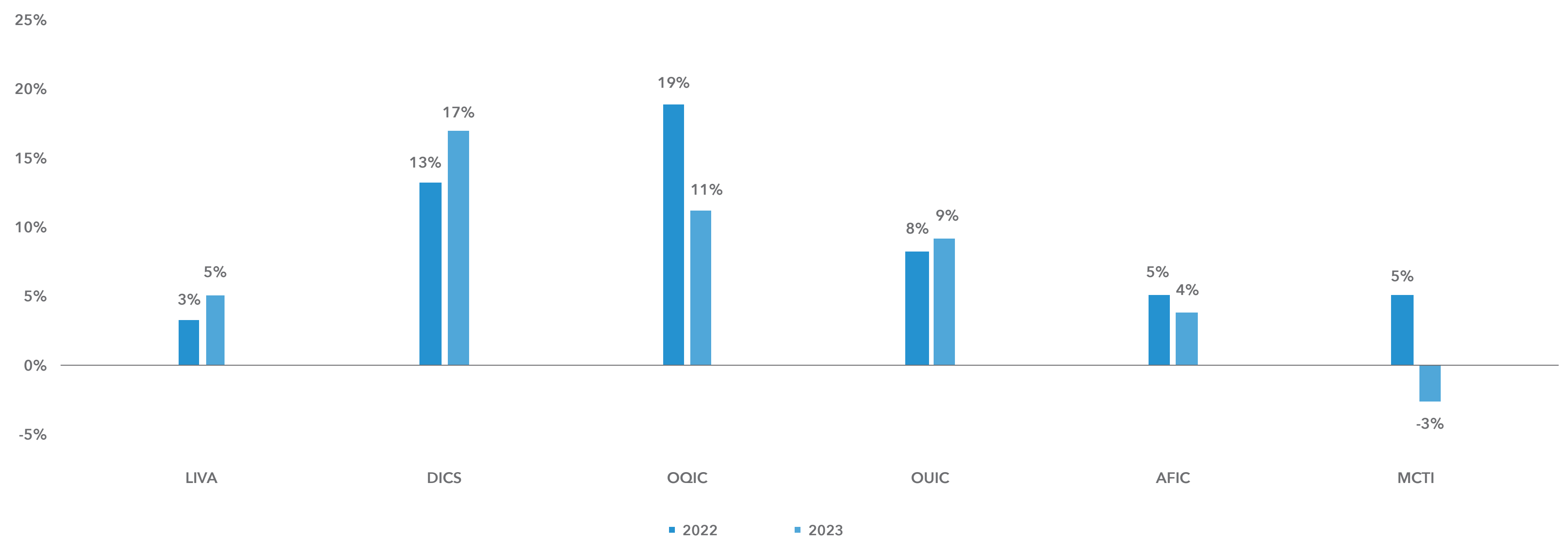
About 58% of policyholder assets relate to investments, 28% to other assets, 10% to Cash and Cash equivalents, and 4% to Receivable. Investments constitute most of the part of the policyholder assets.

LIABILITY AND EQUITY CLASSIFICATION - AGGREGATE



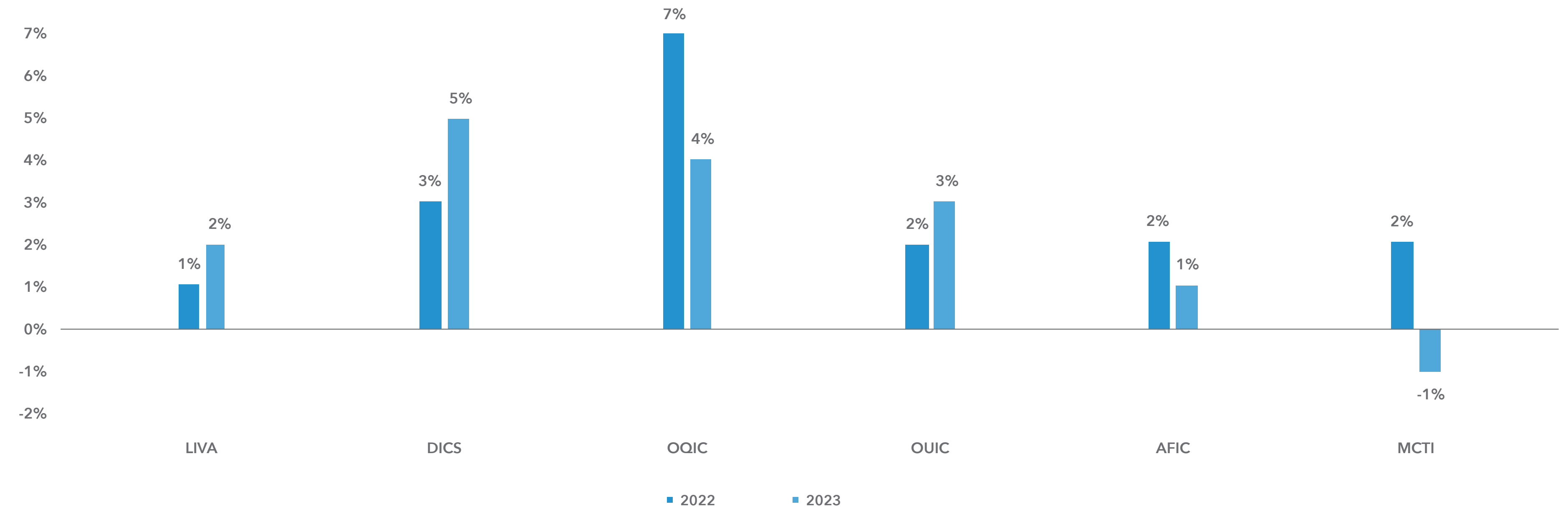
About 87% of the assets are financed by liabilities and about 13% are financed by equity.

RETURN ON EQUITY (ROE)



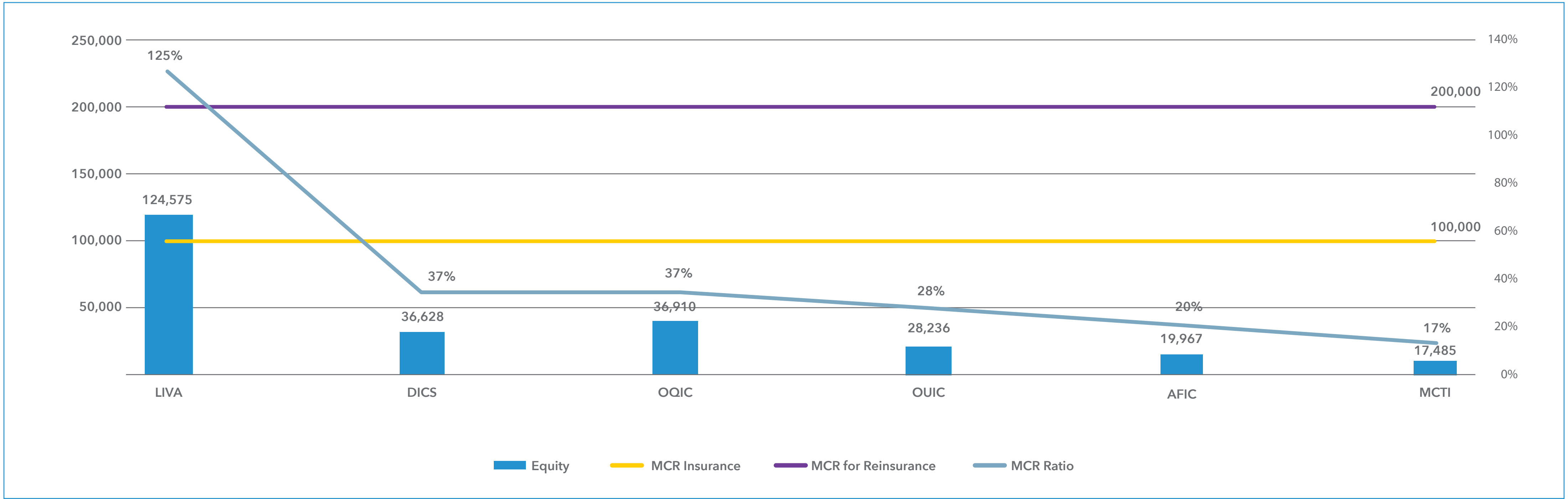
The Return On Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. In 2023, DICS and LIVA saw significant ROE increases of 4% and 2% respectively, showcasing strong performance. However, MCTI experienced a concerning downturn with a negative ROE of -3% in 2023, signaling potential operational challenges or market shifts. The fluctuations in ROE for AFIC and OUIC, albeit relatively minor, suggest varying degrees of stability within those companies.

RETURN ON ASSET (ROA)



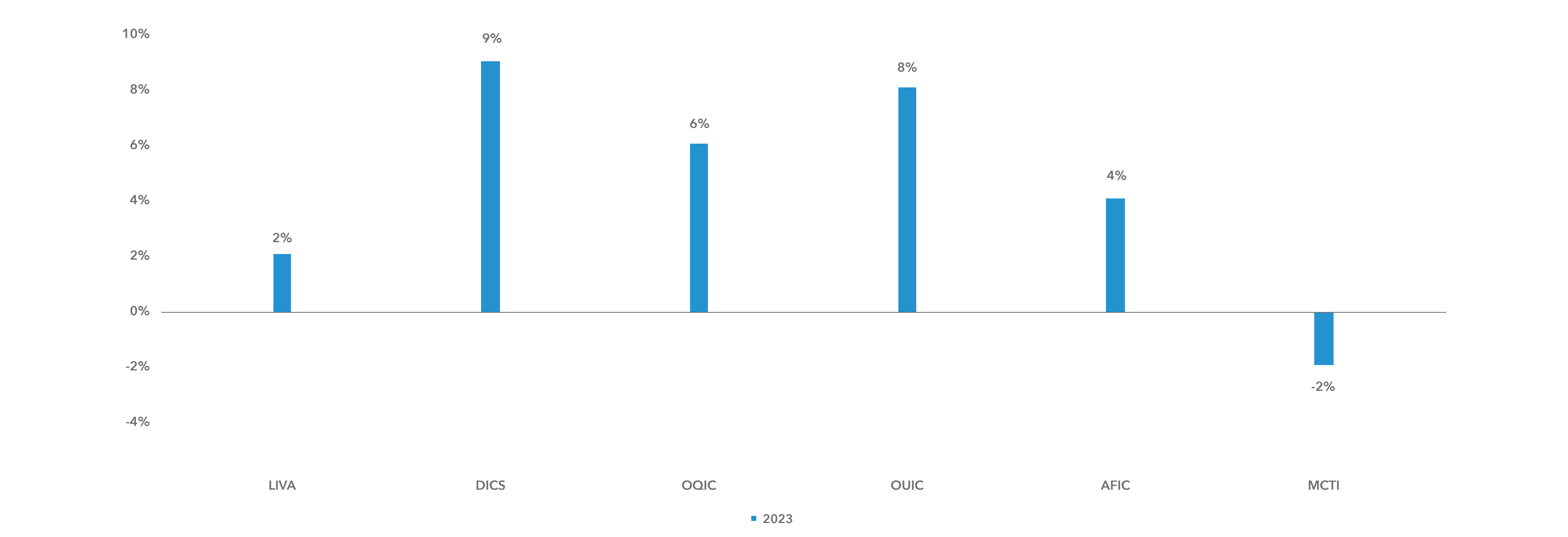
Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. In 2023, there were improvements in ROA percentages for some companies like DICS, OUIC, and LIVA which saw increases of 2% and 1% respectively, indicating enhanced efficiency in asset utilization, while others experienced declines or stagnant growth. Notably, OQIC's ROA dropped by 3%, signaling potential challenges in asset management or operational efficiency. Moreover, MCTI's negative ROA in 2023 raises concerns about its ability to generate profits from its assets.

SOLVENCY ANALYSIS



The solvency analysis for 2023 reveals varying degrees of financial stability. LIVA exhibits an exceptionally high MCR Ratio of 125%, signaling robust solvency positions. Conversely, companies like AFIC and MCTI with 20% and 17% respectively, MCR Ratios display a comparatively lower solvency level, indicating potential challenges in covering liabilities. OQIC and DICS maintain a moderate position with MCR Ratios of 37%, 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 the year 2023 reveals a diverse range of profitability levels within the sector. Several companies, including DICS and OUIC with an impressive 9% and 8% net margin respectively, and OQIC and AFIC at 6% and 4% respectively, exhibit good profitability, potentially driven by effective cost-management or lucrative underwriting practices. Conversely, companies such as MCTI show negative net margins, 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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Feedback

SHMA is proud to present Insurance Industry Analysis – OMAN for the Year-End 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.

About Us

SHMA 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