



BADRI

**OMANI LISTED
INSURANCE
COMPANIES
PERFORMANCE
ANALYSIS FOR
2020-H1**

Revised on October 7, 2020



BADRI

ABOUT BADRI MANAGEMENT CONSULTANCY

BADRI MANAGEMENT CONSULTANCY IS THE FASTEST GROWING ACTUARIAL CONSULTING FIRM IN THE MIDDLE EAST, RECOGNIZED FOR ITS COLLABORATIVE APPROACH TO WORKING WITH ITS CLIENTS AS PROFIT OPTIMIZING PARTNERS. WE ARE SERVING AS APPOINTED ACTUARY FOR OVER 20 COMPANIES IN THE GCC. IN ADDITION, WE ARE PROVIDING OTHER SERVICES INCLUDING IFRS17 IMPLEMENTATIONS, DEVELOPMENT OF ERM FRAMEWORK, SPECIALIZED SERVICES FOR MEDICAL INSURANCE AND TPAs, BUSINESS INTELLIGENCE SOLUTIONS AND END OF SERVICE BENEFITS VALUATIONS.



BADRI

VISION

SOLUTION ARCHITECTS STRENGTHENING OUR
PARTNERS TO OPTIMIZE PERFORMANCE

MISSION

WE HELP OUR CLIENTS BE THE BEST VERSION OF
THEMSELVES BY FOSTERING PARTNERSHIPS, CHALLENGING
NORMS AND PROVIDING CUTTING EDGE SOLUTIONS. WE
INSPIRE OUR PEOPLE TO CONSTANTLY EVOLVE AND CHASE
EXCELLENCE WITH INTEGRITY IN A DIVERSE, EXCITING AND
GROWTH-ORIENTED CULTURE.

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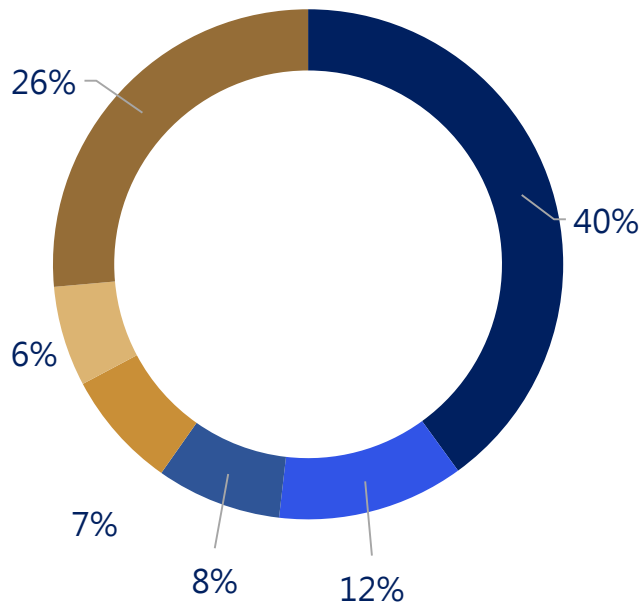
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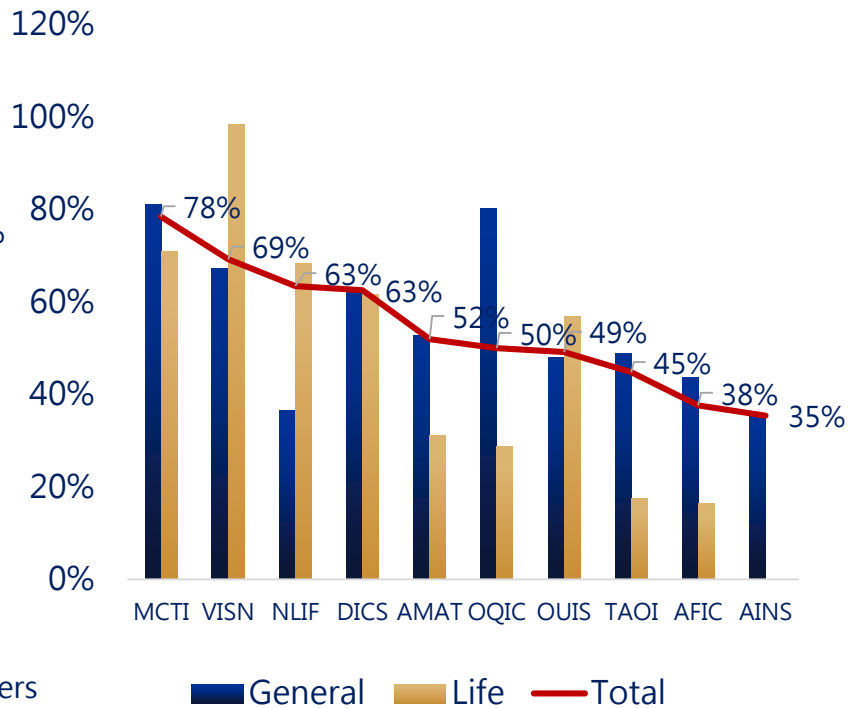
Companies Included
in the Analysis

Summary of 2020-H1

Market Share

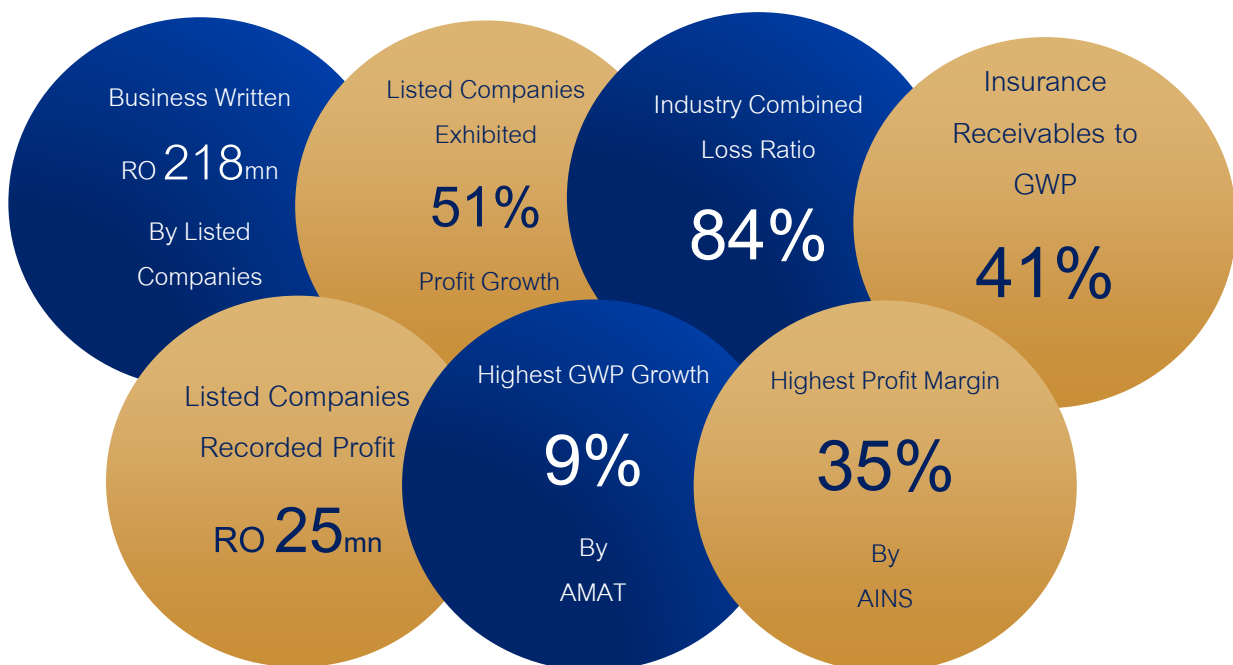


Business Segment Wise Loss Ratio



■ NLIF ■ DICS ■ OUIS ■ AMAT ■ OQIC ■ Others

■ General ■ Life — Total





A Look At 2019-H1

2019-H1 remained in favor of insurance companies, while 2020-H1 tests resilience of Insurance Companies

RO **226.4**_{mn}

Gross Written Premium
of Listed Companies

RO **89.0**_{mn}

Highest Gross Written Premium

NLIF Contributes to 39% of the
business share for H1-2019.

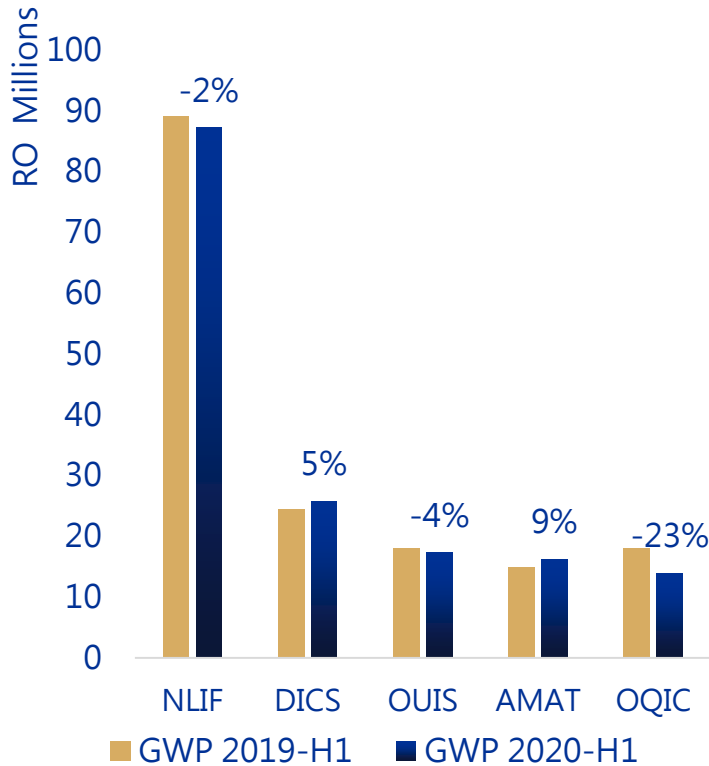
RO **223.3**_{mn}

Net Technical Reserves
booked by Companies

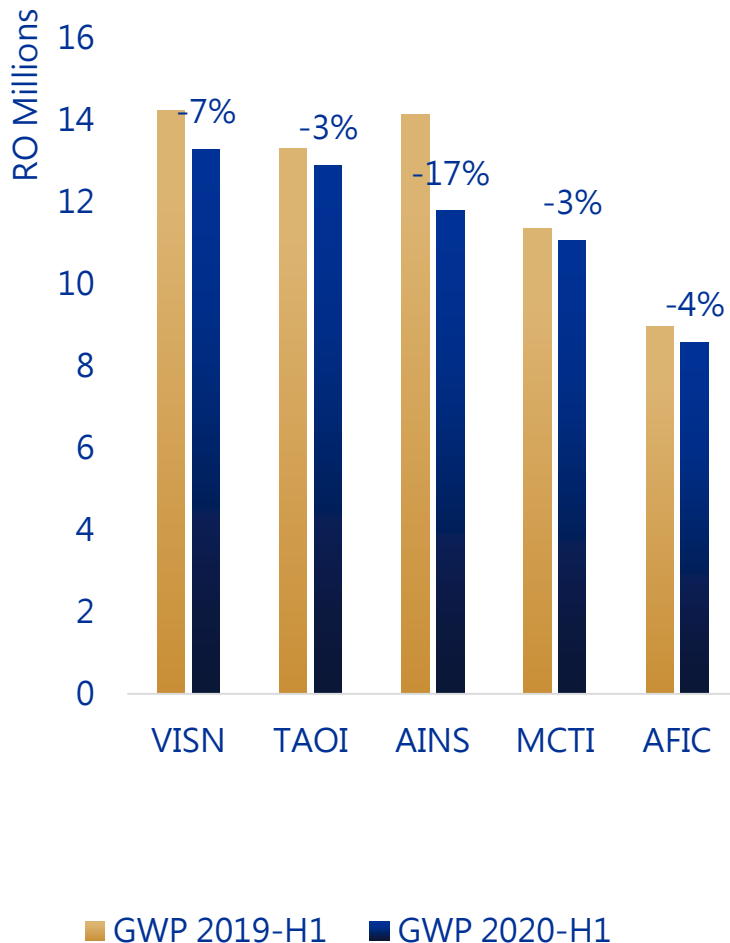
RO **16.2**_{mn}

Profits Recorded in H1-2019

TOP 5



OTHERS



Gross Written Premiums

The insurance companies in the Sultanate observed a drop in business with total Gross written premium of about RO 218 million, depicting a decline of 4% from 2019-H1. AMAT and DICS are the only ones to observe growth in premiums when compared to 2019-H1.

The TOP 5 insurers in terms of GWP amounted to RO 160 million, hence contributing 74% of overall market.

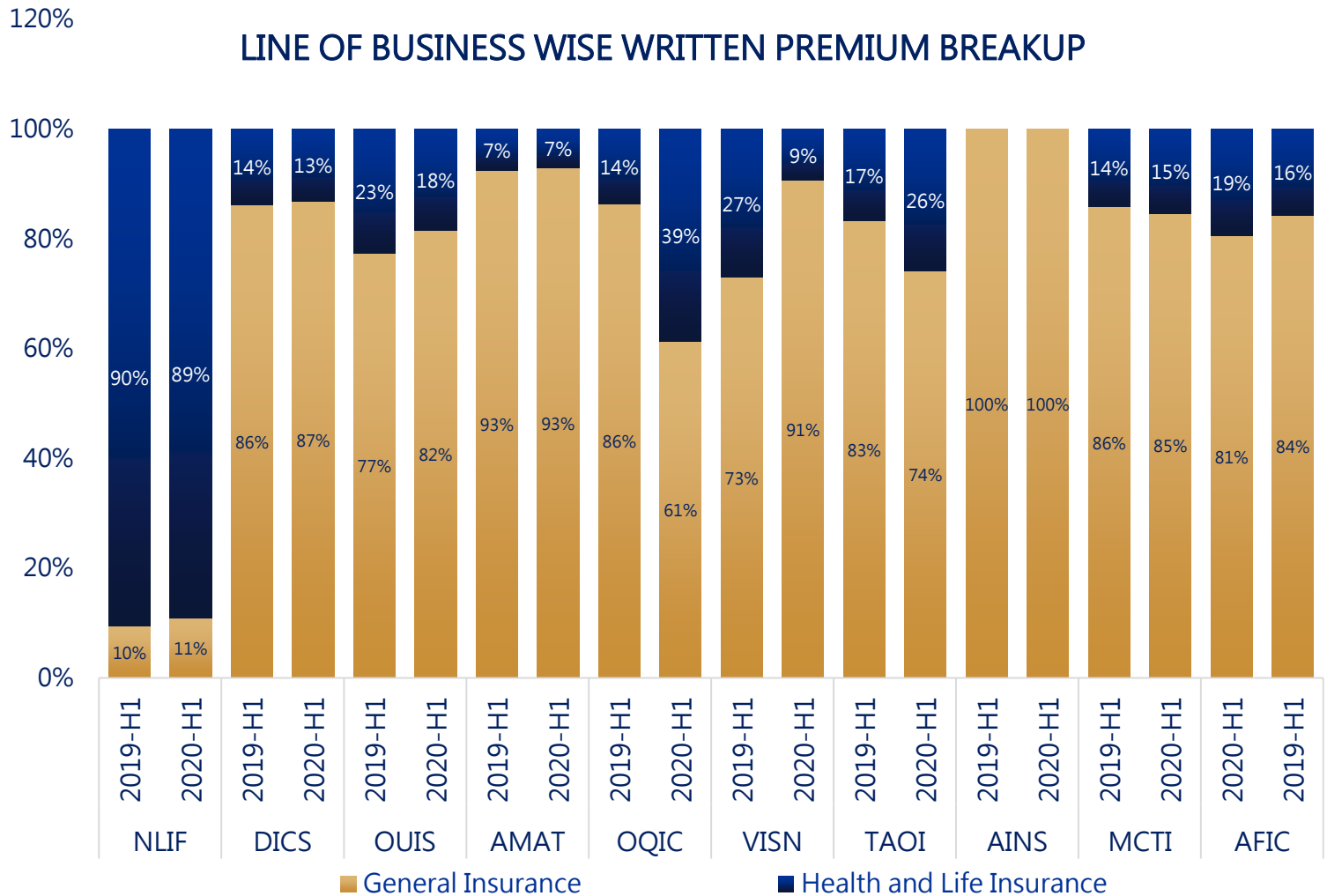
NLIF being the market leader in Health and Life Insurance secures top rank and contributes 40% share in insurance sector for 2020-H1 which was 39% in 2019-H1. NLIF's premium of RO 87 million includes RO 44 million from overseas subsidiaries which is about 50% of their total business. However, as the consolidated numbers are reported we have used the consolidated financials statements.

AMAT has the highest growth (9%) of GWP over 2019-H1, while OQIC despite having the highest decline (-23%) in GWP, maintained its position among the top 5 companies.



Gross Written Premiums

LINE OF BUSINESS WISE WRITTEN PREMIUM BREAKUP



The business for NLIF concentrates in Health and Life Insurance which comprises 89% of the total gross premiums of the Company for 2020-H1.

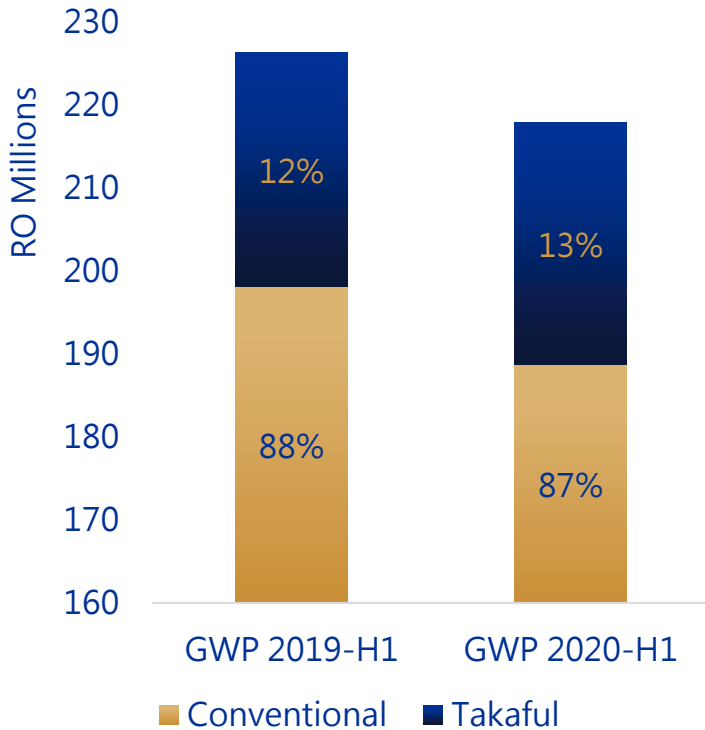
Excluding NLIF, the companies operating in Oman concentrate predominantly on Non-Life Insurance Business. 84% of the GWP excluding NLIF is attributable to Non-Life Insurance Business, while as a percentage of the overall market including NLIF, this works out to 55% for 2020-H1. The ratios have remained consistent with the previous period.

For AINS, segmental information was not available and hence all amounts have been allotted to Non-Life insurance business only.

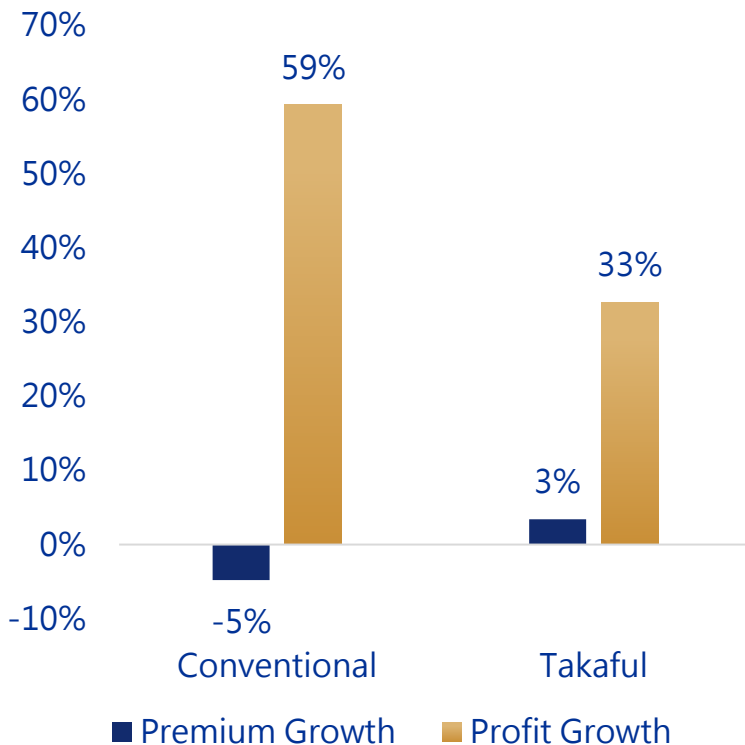
The Oman Insurance sector has exhibited an overall decline of 4% in GWP when compared from previous period of 2019-H1 (Non-Life segment 5% and Life business 3% respectively).

The above graph is sorted with respect to Gross written premium in descending order.

TAKAFUL & CONVENTIONAL BUSINESS DISTRIBUTION



BUSINESS GROWTH FOR CONVENTIONAL & TAKAFUL INSURERS

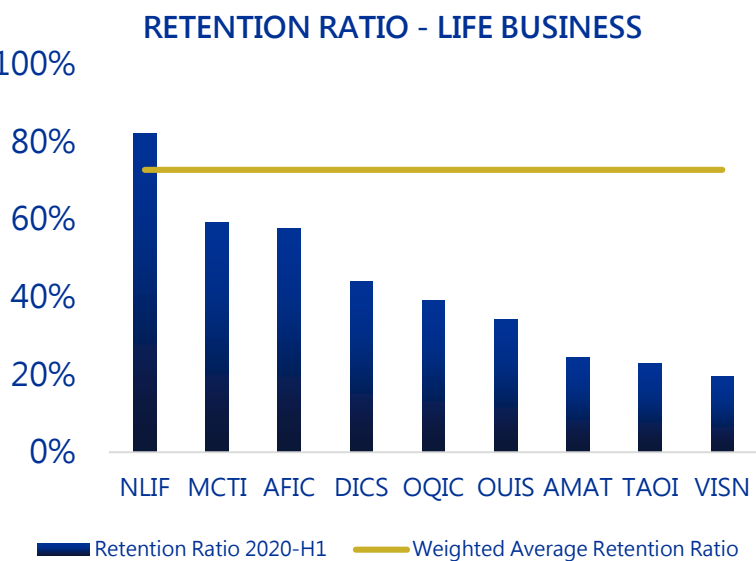
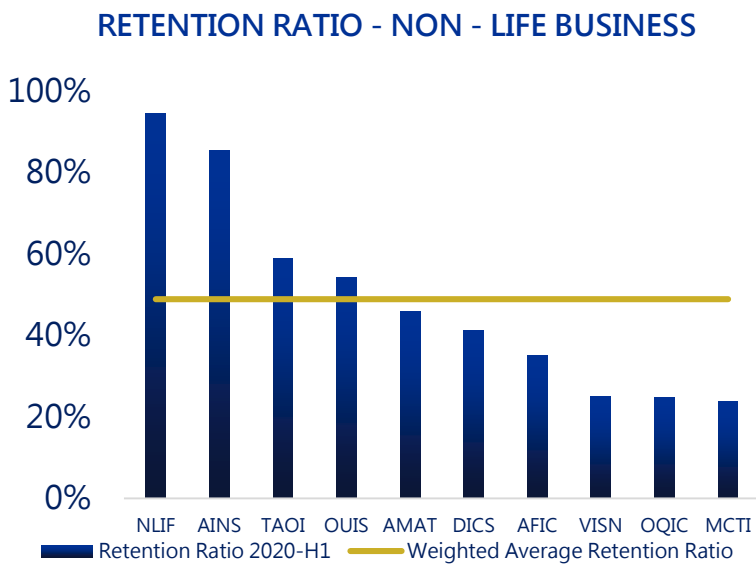
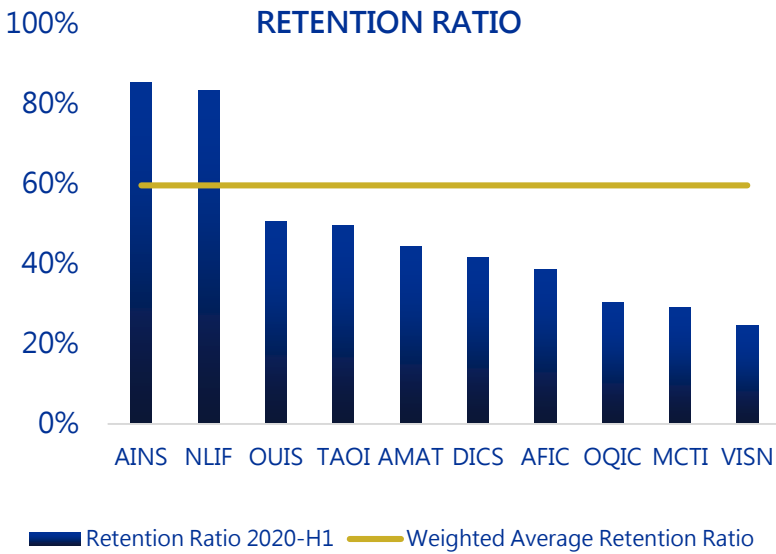


Conventional Vs Takaful

In the Sultanate of Oman, out of 10 listed insurance companies, only 2 operate as Takaful Insurers, contributing 13% of the total written business in 2020-H1 which increased by 1% from 2019-H1.

When comparing premiums with the corresponding period of 2019-H1, Takaful insurers exhibited a growth of 3% whereas the Conventional insurers depicted a decline of 5%.

The spike in profit growth of Conventional insurers pertains to NLIF, which recorded extraordinary growth of 113% in profits. On the other hand, AMAT is the reason for the increase in profit growth for Takaful insurers with a growth of 56%.



Retention Ratio

The retention ratios have been calculated as a ratio of net written premiums to gross written premiums.

The weighted average retention ratio for 2020-HI stood at 60% for the companies in the Sultanate with AINS reflecting highest retention of 85% while VISN depicting the lowest retention of 25%.

Although there may be exceptions, retention ratios are generally reflective of lines of business being underwritten; Motor and Medical generally tend to have high retention ratios while commercial lines such as Aviation, Engineering and Fire tend to have lower retention.

Life business shows higher retention levels than Non-Life business. The weighted average retention ratio for Life business is found to be 73% for 2020-HI where as Non-Life business retention is 49%.

A further segmented analysis on line of business is not performed due to limited information available.



Profit Before Tax

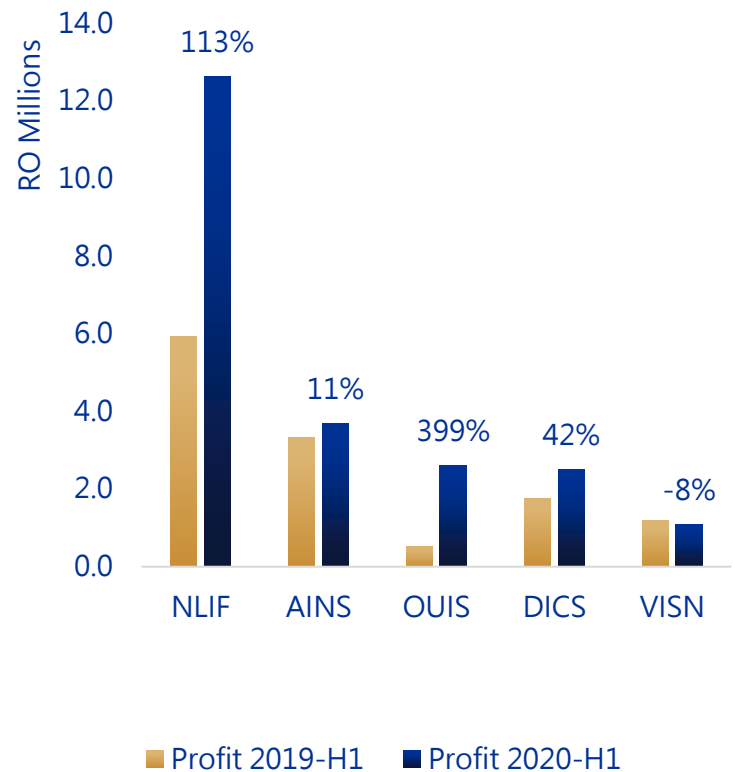
The Insurance companies in the Sultanate of Oman have shown a profit growth of 57%, where the total profit amounted to RO 25 Million for 2020-H1 compared to RO 16 Million for the corresponding period of 2019. It is worth mentioning that the profit growth drops to 25% (from 57%) for 2020-H1 if NLIF is excluded from this analysis.

NLIF booked the highest profits amounting to RO 12.6 Million, an increase of 113% from 2019-H1 (RO 5.9 Million) which comprises 50% of total profit share of the companies in the Sultanate for 2020-H1.

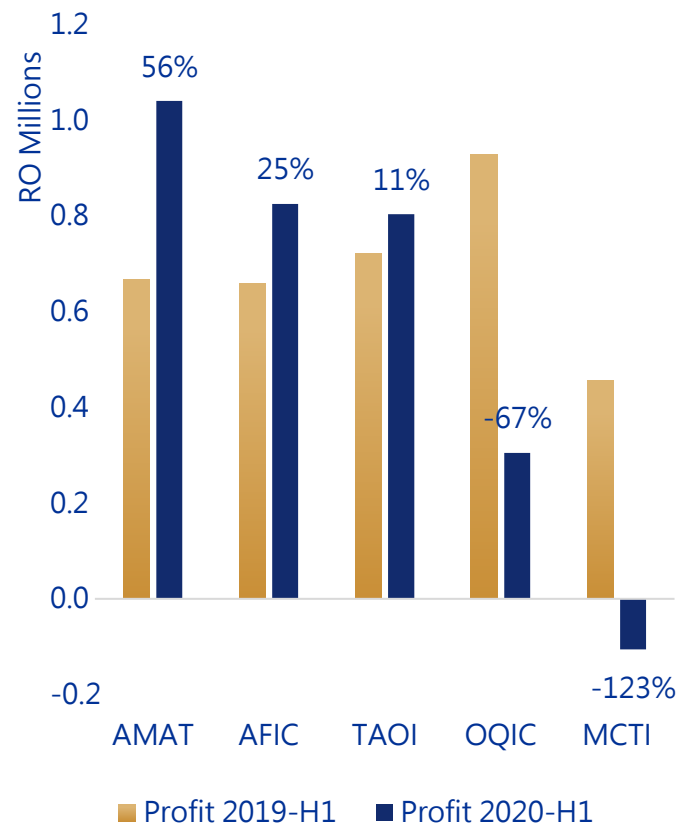
The highest profit growth was recorded by OUIS of about 399% while the biggest decline of 123% for the period was recorded by MCTI, it has recorded losses in 2020-H1 from making profits when compared with corresponding period of 2019.

For Takaful companies, net profits before tax on policyholder and shareholder accounts are consolidated for comparative purpose.

TOP 5 COMPANIES BY PROFIT

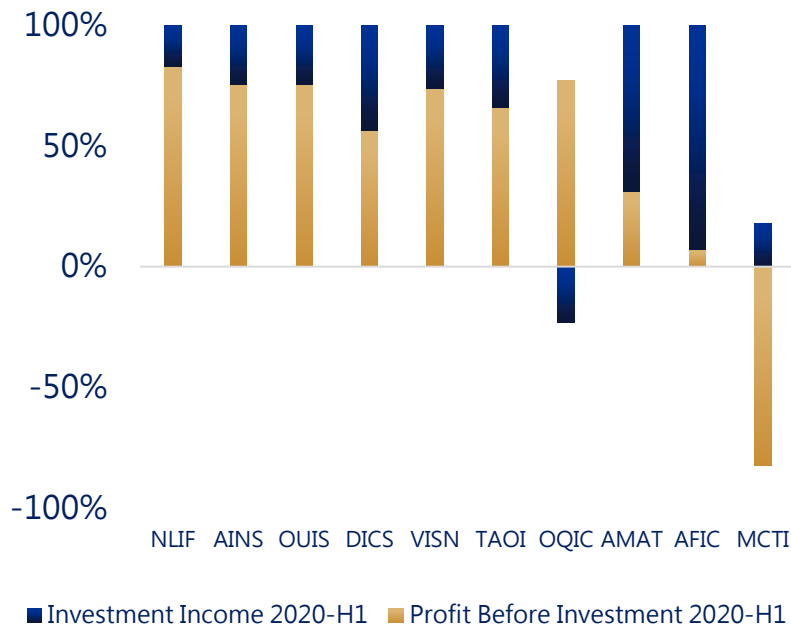


OTHERS





PROFIT COMPOSITION - UNDERWRITING & INVESTMENT INCOME



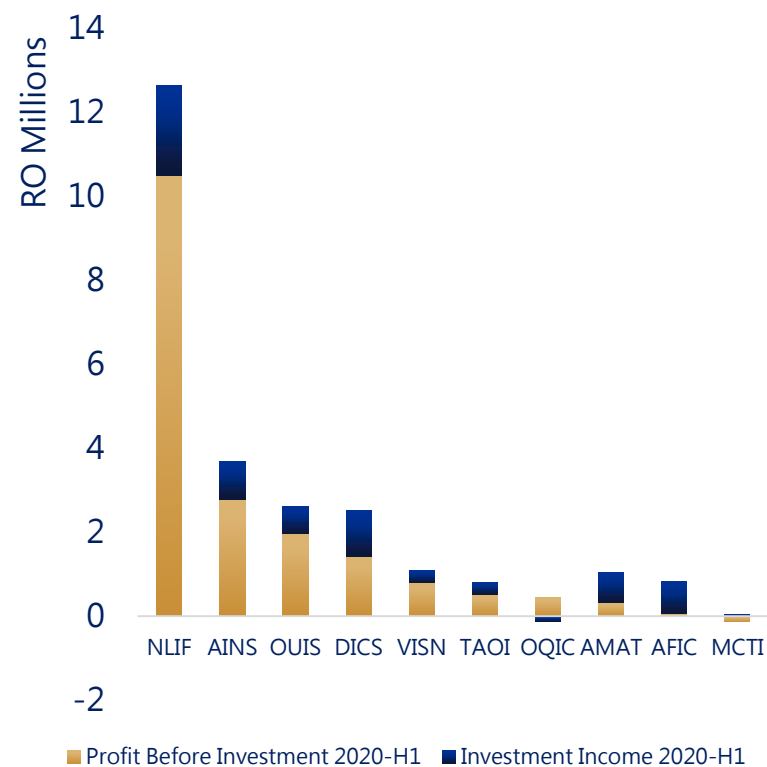
Profit Before Tax

Investment Income has contributed in generating profits for all the listed Companies performing in Oman except OQIC which observed a loss on investments.

MCTI recorded a loss on underwriting activities which was partially offset by the investment income.

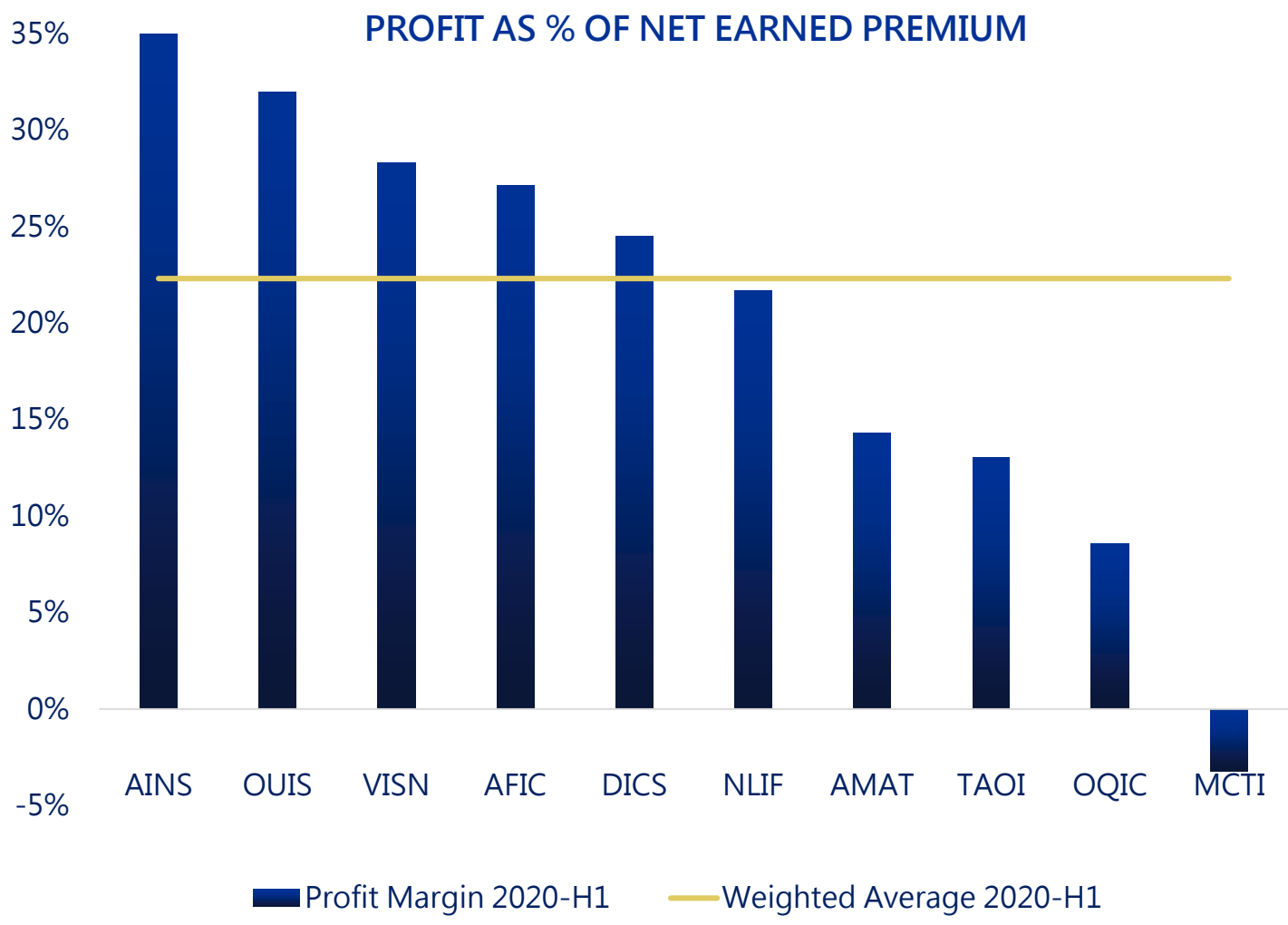
Overall, three companies have investment income which is higher than the underwriting profits. This reflects that there may be room for improvement in their underwriting strategies, as insurance companies should concentrate on insurance activities being the primary source for generating profits.

UNDERWRITING & INVESTMENT INCOME



The analysis presented here is sorted by Profits before investment income.

Profit as a Percentage of Net Earned Premium

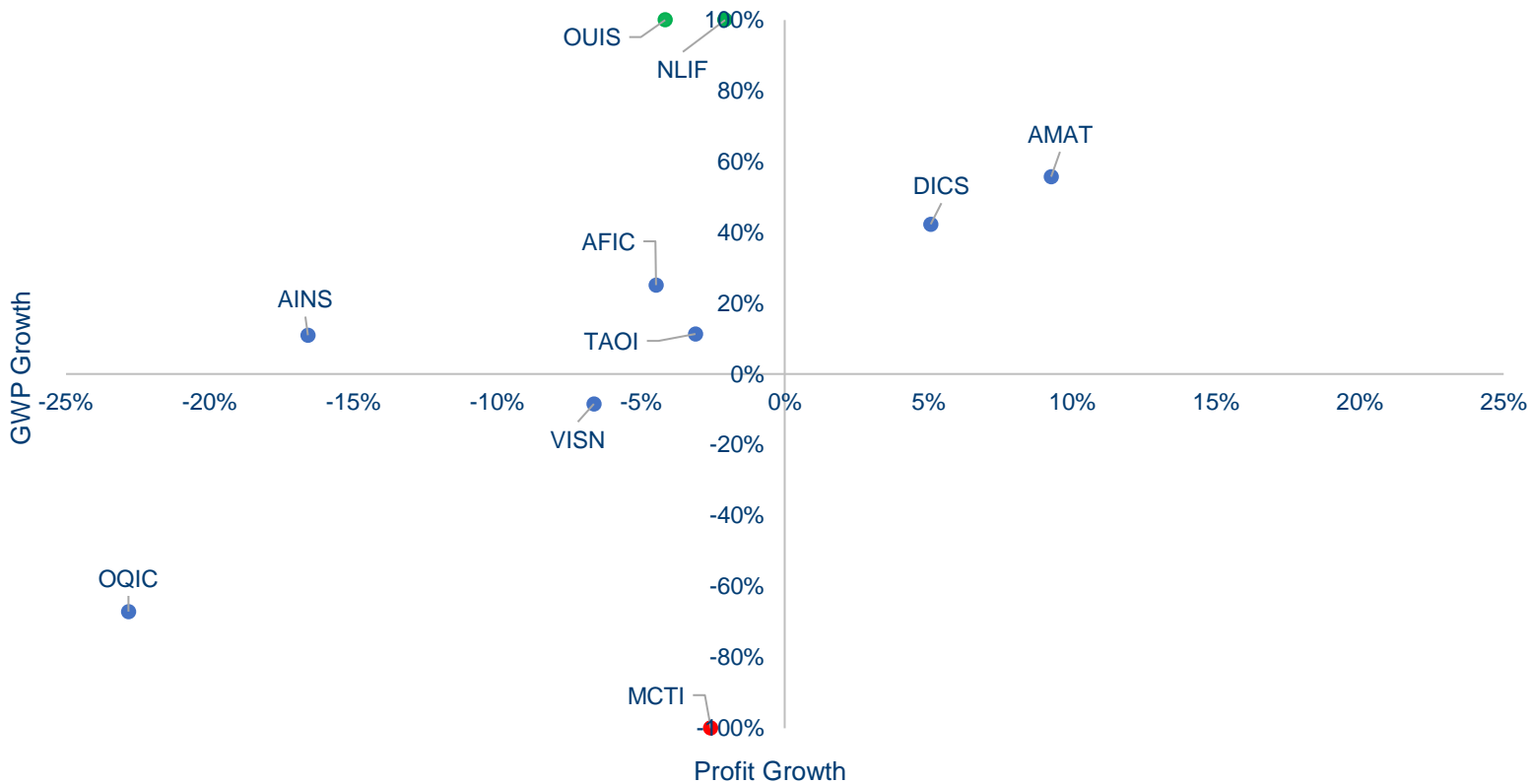


The above graph illustrates the Profit Margin [bottom line profit/(deficit) as a proportion of net earned premium] for the insurance companies in the Sultanate in 2020-H1.

The Profit Margin of the Oman Insurance Industry stands at around 23% for 2020-H1.



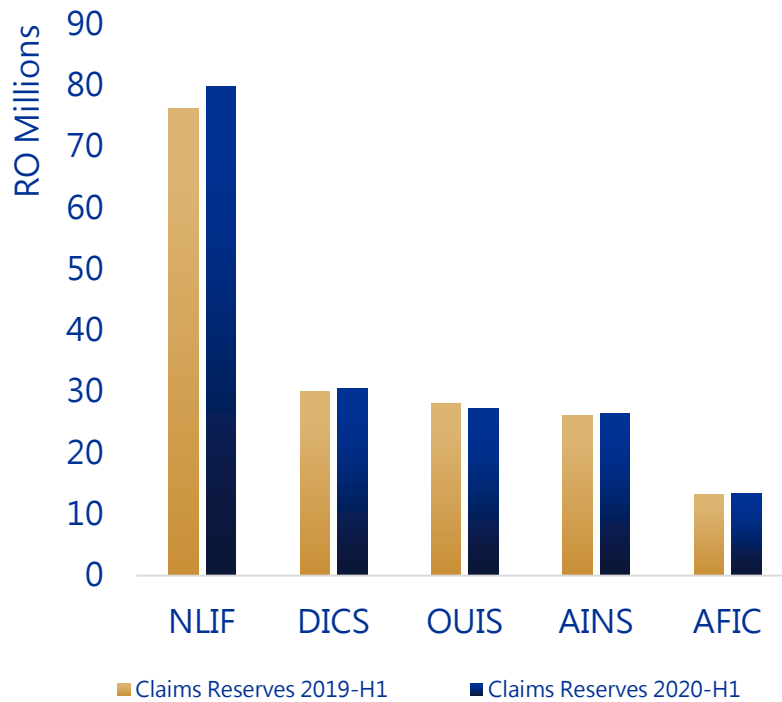
Premiums & Profit Analysis



The summary of premium and profitability growth in 2020-HI from the corresponding period of 2019 is presented. Companies exhibiting premium and profitability growth rate outside of the $\pm 100\%$ range are capped respectively.

Company	Ranking		Indic.
	Gross Premium	Profit	
NLIF	1	1	→
DICS	2	4	↓
OUIS	3	3	→
AMAT	4	6	↓
OQIC	5	9	↓
VISN	6	5	→
TAOI	7	8	↓
AINS	8	2	↑
MCTI	9	10	↓
AFIC	10	7	↑

TOP 5 COMPANIES BY NET TECHNICAL PROVISIONS

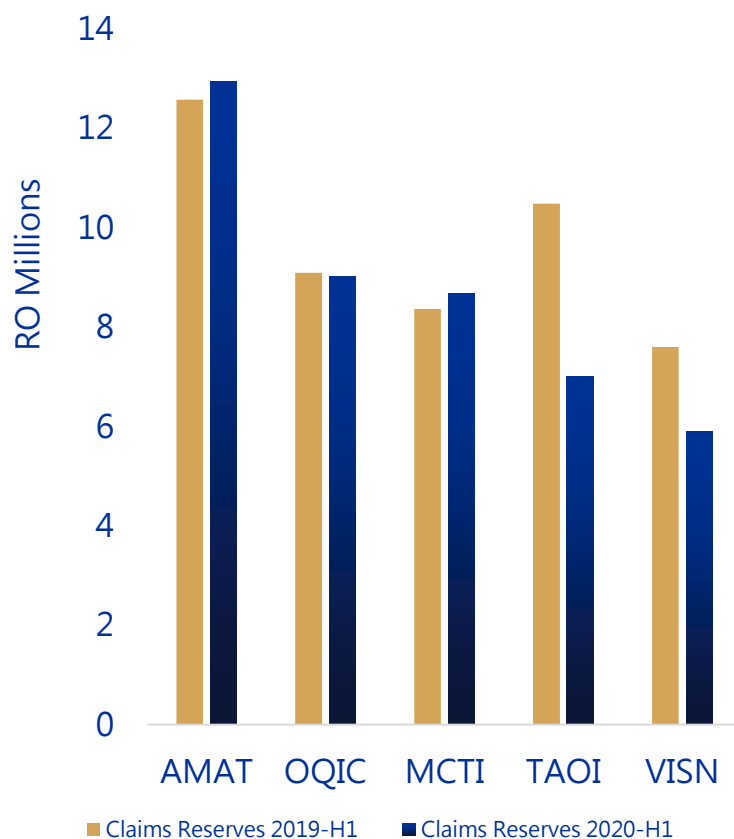


Net Technical Reserves

Total Net reserves as at 2020-H1 remained more or less stable when compared with the corresponding period of 2019.

NLIF has the highest technical provisions as compared to the other companies, which is commensurate to the size and nature of its operations.

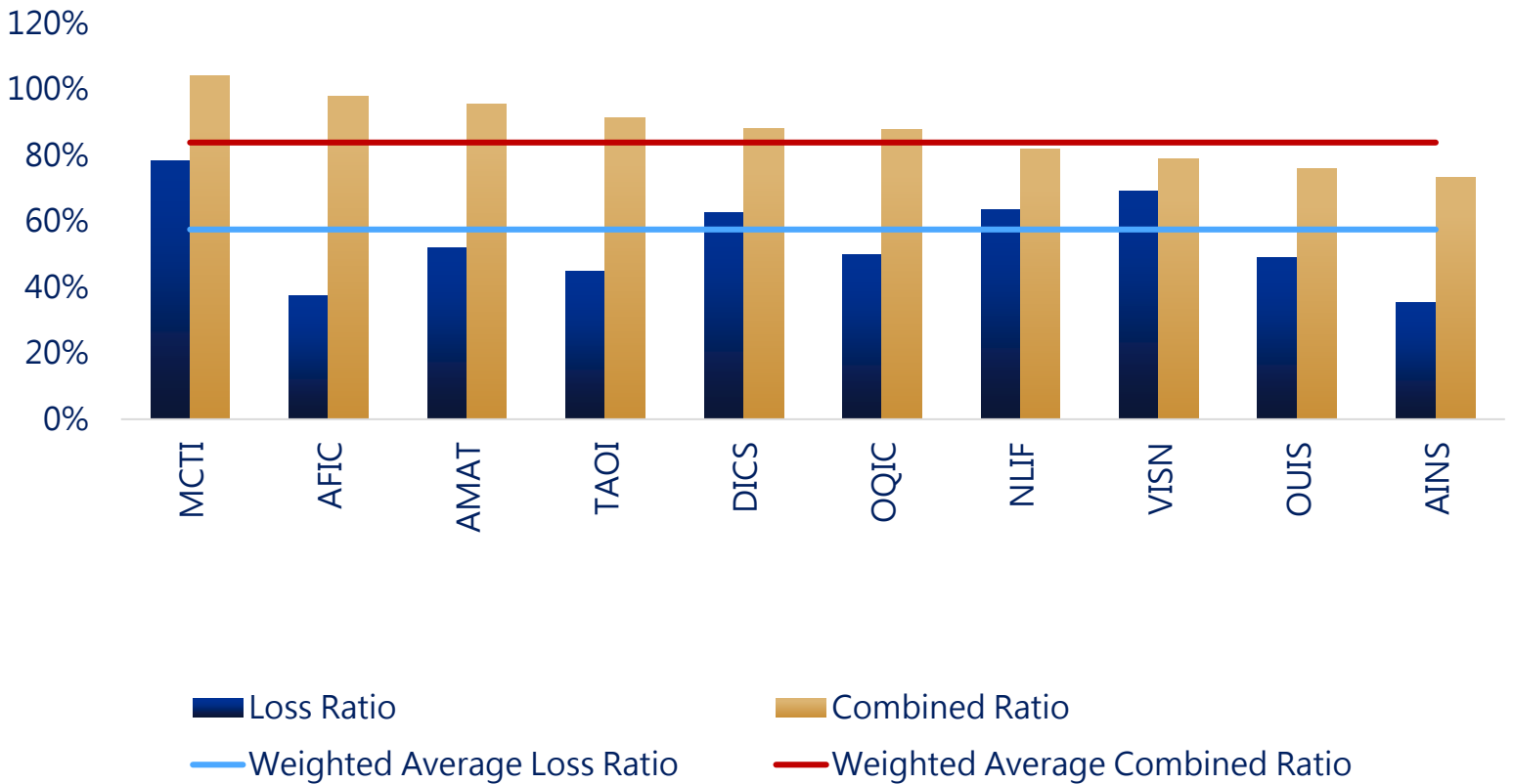
REMAINING COMPANIES BY NET TECHNICAL PROVISION





Loss & Combined Ratio

LOSS & COMBINED RATIO



The weighted average loss and combined ratio of the insurance companies in the Sultanate of Oman is computed to be 58% and 84% respectively, with MCTI bearing the highest loss ratio and combined ratio of 78% and 104% respectively, whereas the lowest combined ratio is depicted by AINS.

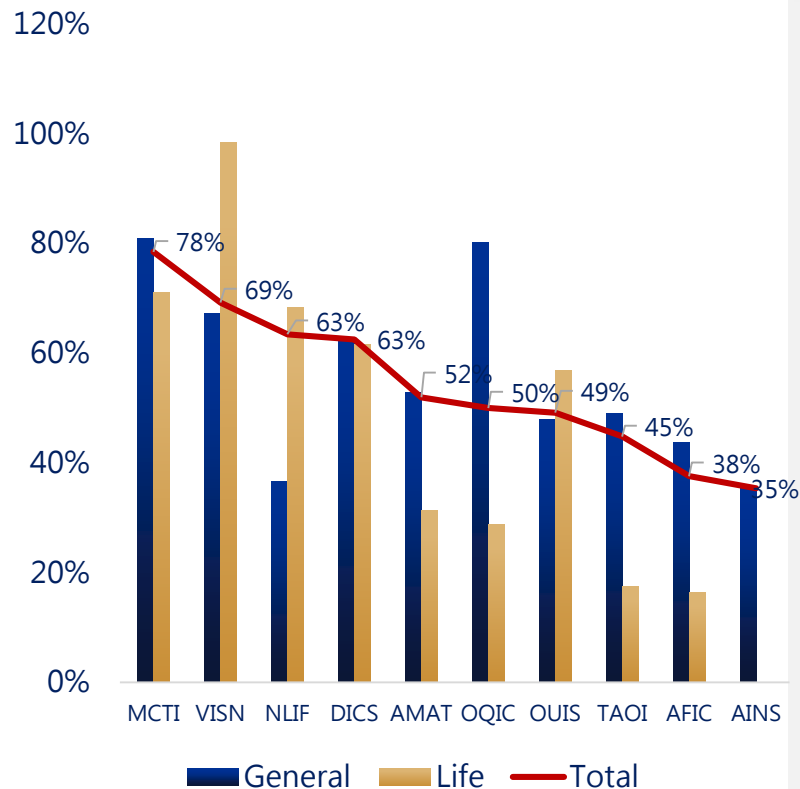
For Takaful companies we have consolidated the policyholders and shareholders P&L for comparative purposes. A company is deemed to be profitable from an underwriting perspective if the combined ratio is below 100%.

Loss Ratio is computed as Net Incurred Claims over Net Earned Premium.

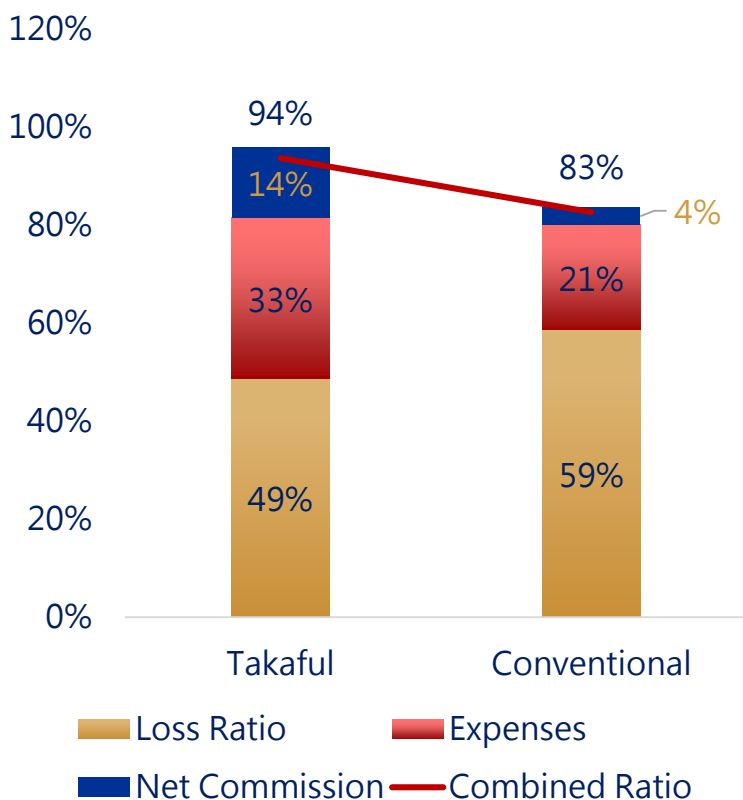
Combined Ratio is calculated as ratio of net Incurred Claims along with expenses and net commissions over net earned premiums.



Business Segment Wise Loss Ratio



LOSS AND COMBINED RATIO PERFORMANCE - INSURER TYPE



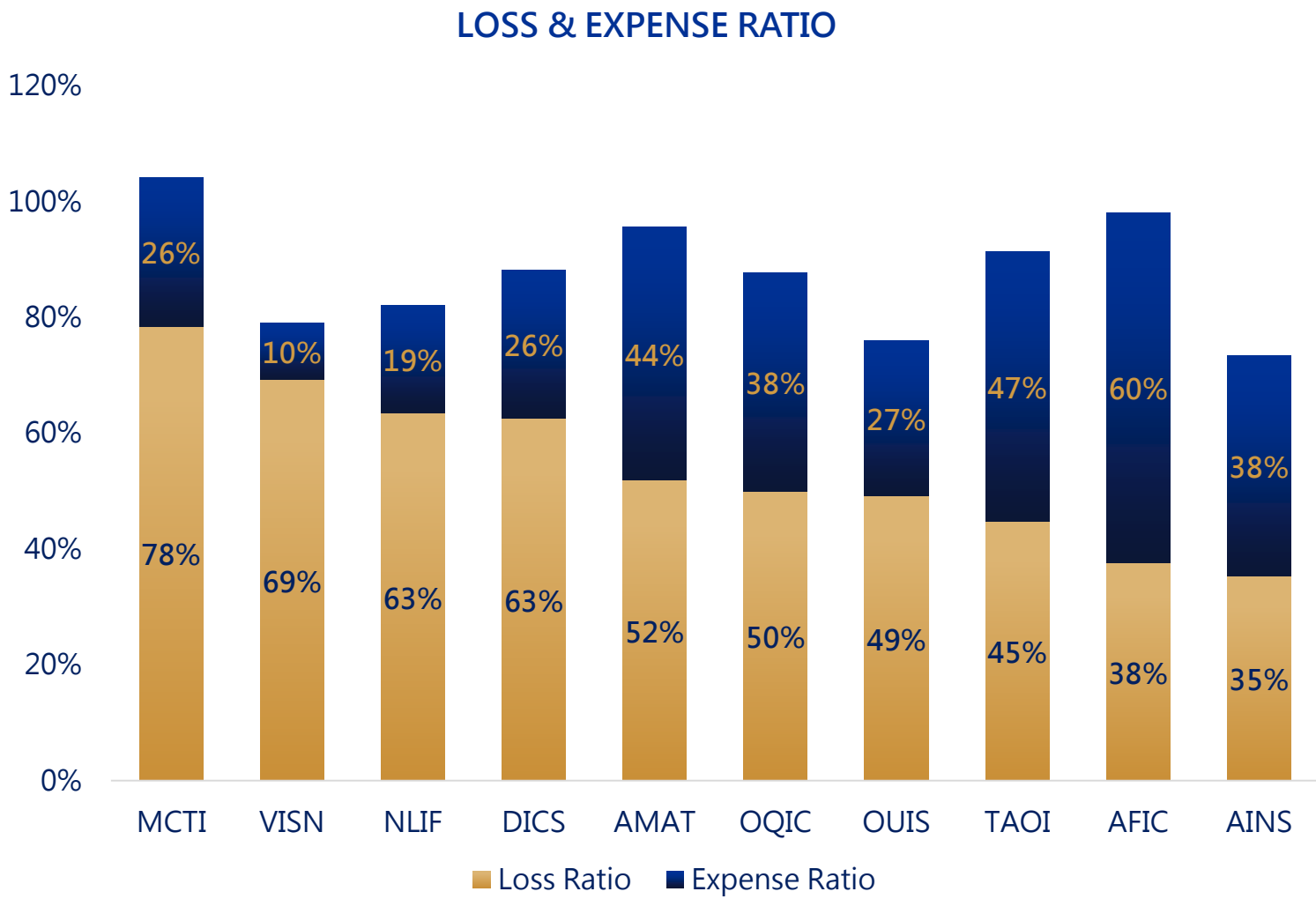
Loss & Combined Ratio

Since the Life and Non-Life business segment wise information was available, Loss Ratio analysis on the breakup is also presented. However, for AINS, segmented information was not available, hence all the information is allotted to General business.

The weighted average loss ratio for Non-Life business worked out to be 50% whereas Life business had a weighted average loss ratio of 65%.

The weighted average loss ratios for takaful insurers are lower than those of their conventional insurance counterparts. However, due to significantly higher expense and net commission ratios exhibited by the takaful operators, the overall combined ratios for takaful operators are higher than the conventional insurance combined ratios.

Loss & Expense Ratio

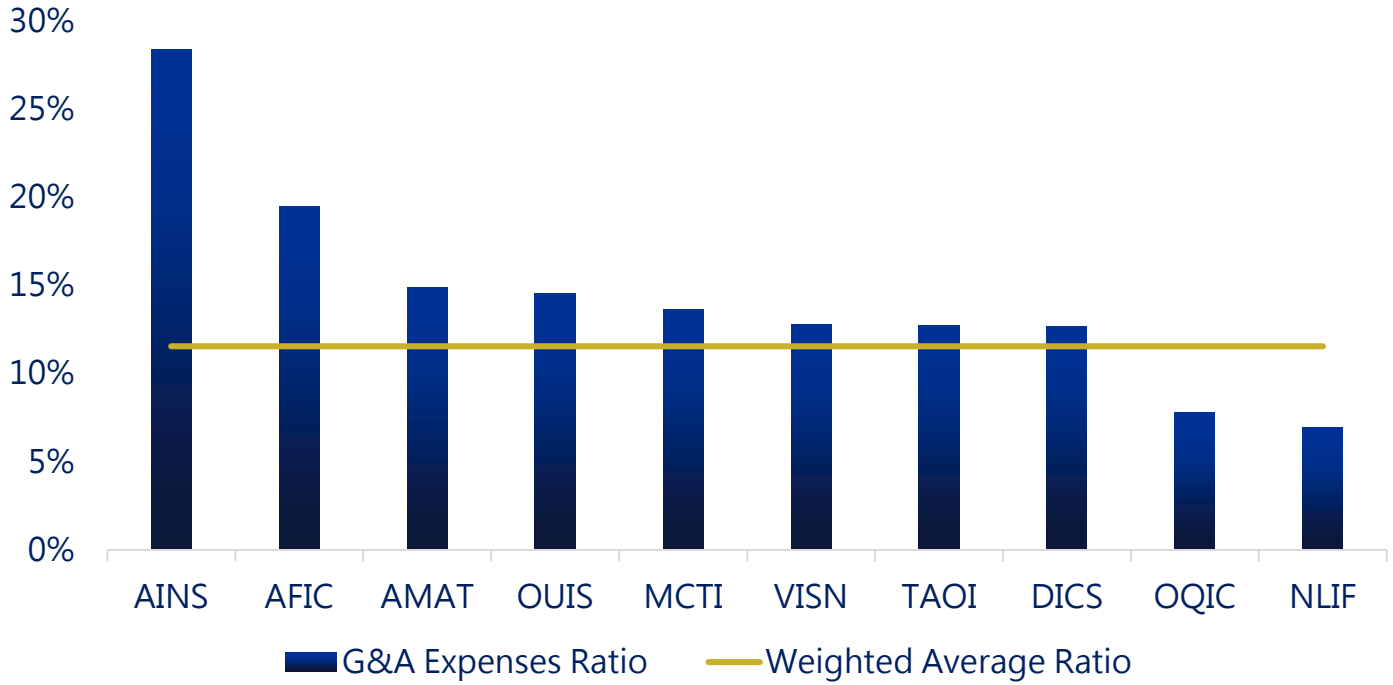


The above is sorted with respect to the loss ratios of all the companies.

MCTI displays the highest loss ratio while AINS have the lowest loss ratio. The Expense ratio for AINS is higher than its loss ratio. The highest expense ratio is depicted by AFIC, so while their loss ratios are low, the high expense ratio has pushed the combined ratio close to 100%. The lowest expense ratio is shown by VISN of 10%.

Expense Ratio

G&A EXPENSE AS A RATIO OF GROSS WRITTEN PREMIUM



It is commonly believed that G&A expense ratio should be analyzed on the basis of gross written premiums for the company, hence, the same is included in our analysis.

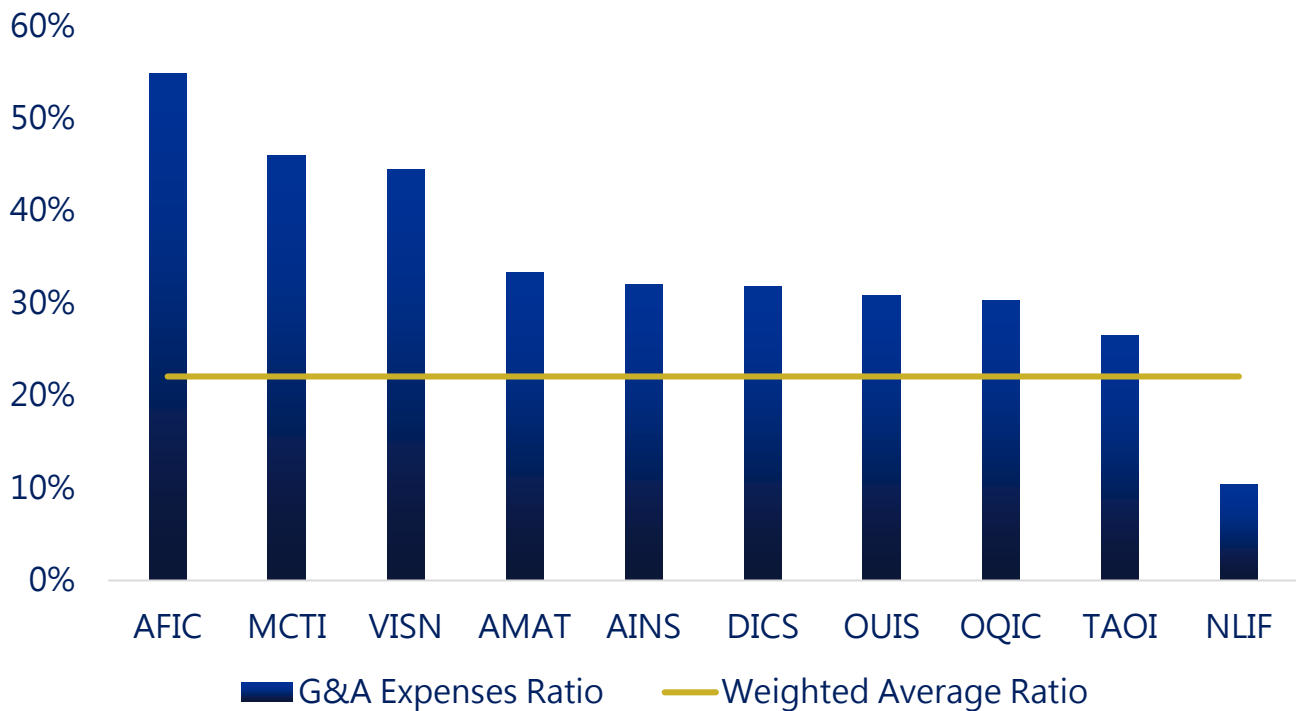
The weighted average G&A expense ratio as proportion of GWP works out to be 12%. AINS has the highest expense ratio for the half year ended 2020, whereas the lowest expenses are observed by NLIF. Larger companies generally tend to have lower expense ratios, as they have sufficient business to absorb the fixed cost base.

For Takaful companies, Wakala fees is ignored, as Wakala fees is a positive in one account and a negative in the other.

Expense Ratio = General and administrative expense as a percentage of Gross Written Premium

Expense Ratio

G&A EXPENSE AS A RATIO OF NET EARNED PREMIUM



Considering G&A Expense as a proportion of Net Earned Premiums, AFIC bears the highest expense ratio of 55% followed by MCTI and VISN with ratio of 46% and 44% respectively owing to low retention of the business.

NLIF recorded the lowest expense ratio in the industry at 10%.

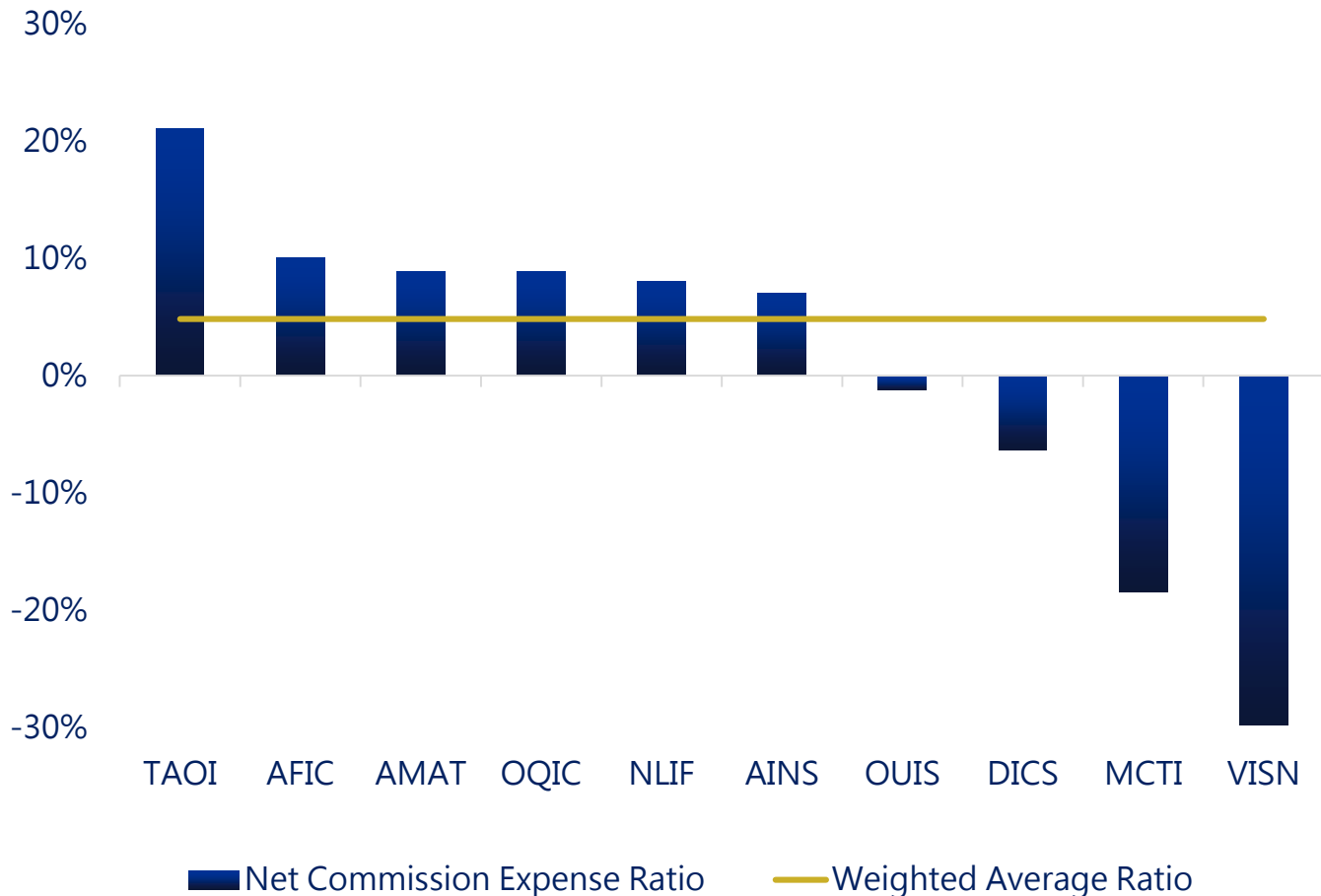
The weighted average G&A expense ratio as a proportion of net earned premium for the Listed Insurance companies stands at 22%.

The expense ratio is worked out as:

Expense Ratio = General and administrative expense as a percentage of Net Earned Premium

Expense Ratio

COMMISSION EXPENSE RATIO

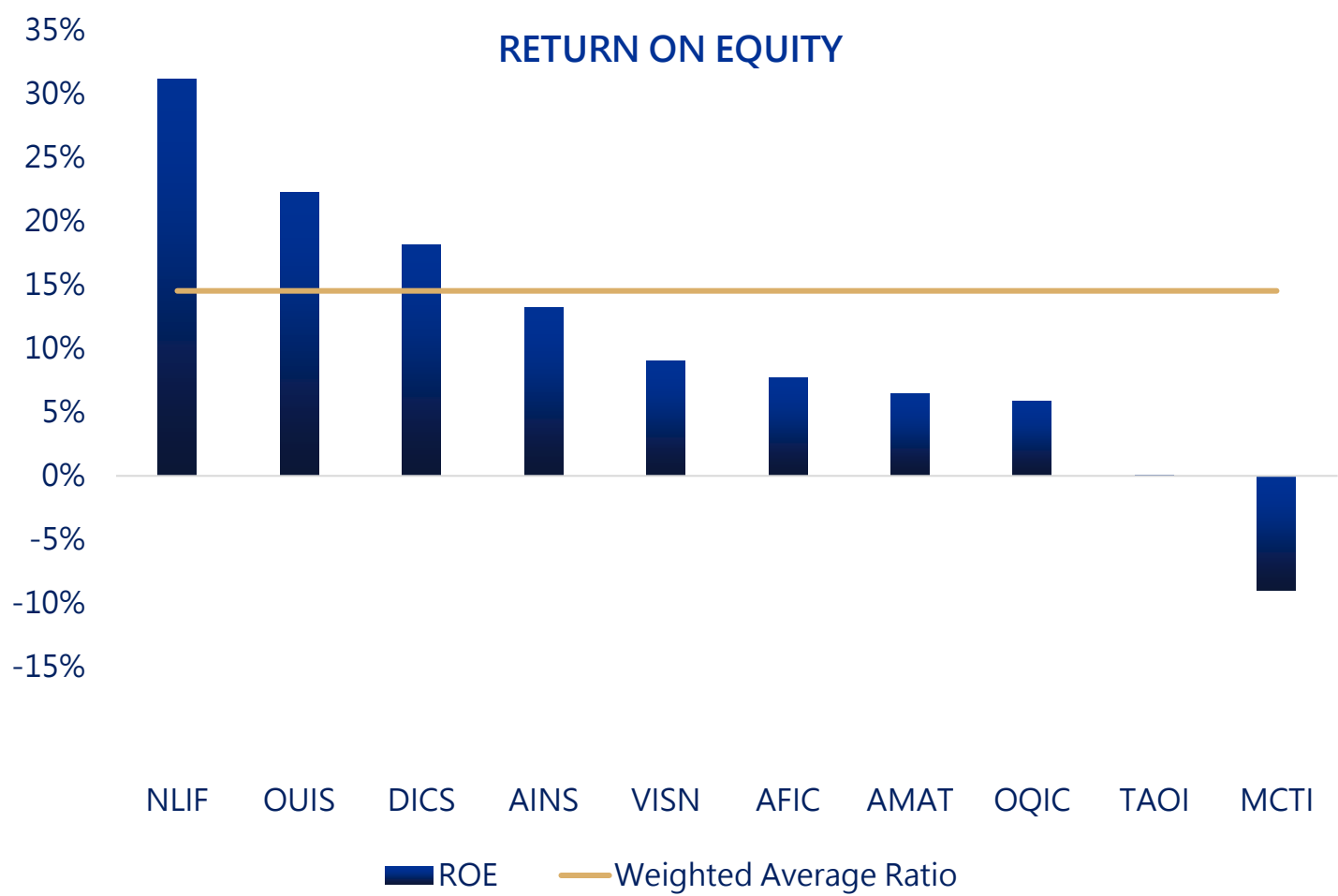


The highest commission expense ratio recorded as of 2020-HI is for TAOI at 21% while VISN experienced the lowest ratio of -30%. The average net commission ratio for the Omani Insurance Industry stood at 5%.

The commission expense considered is the net commission (commissions paid less commissions earned); a negative ratio signifies that the commissions earned outweigh the commissions paid. It is common practice for companies to cede out large proportion of commercial lines business and benefit from the reinsurance commissions, which is also evidenced by the low net commission ratio.

It is felt that there is an inherent need to optimize reinsurance arrangements so that companies can benefit from underwriting profitable business without passing the risk and reward to re-insurers and just acting as fronting partners; at the same time not effecting their solvency position.

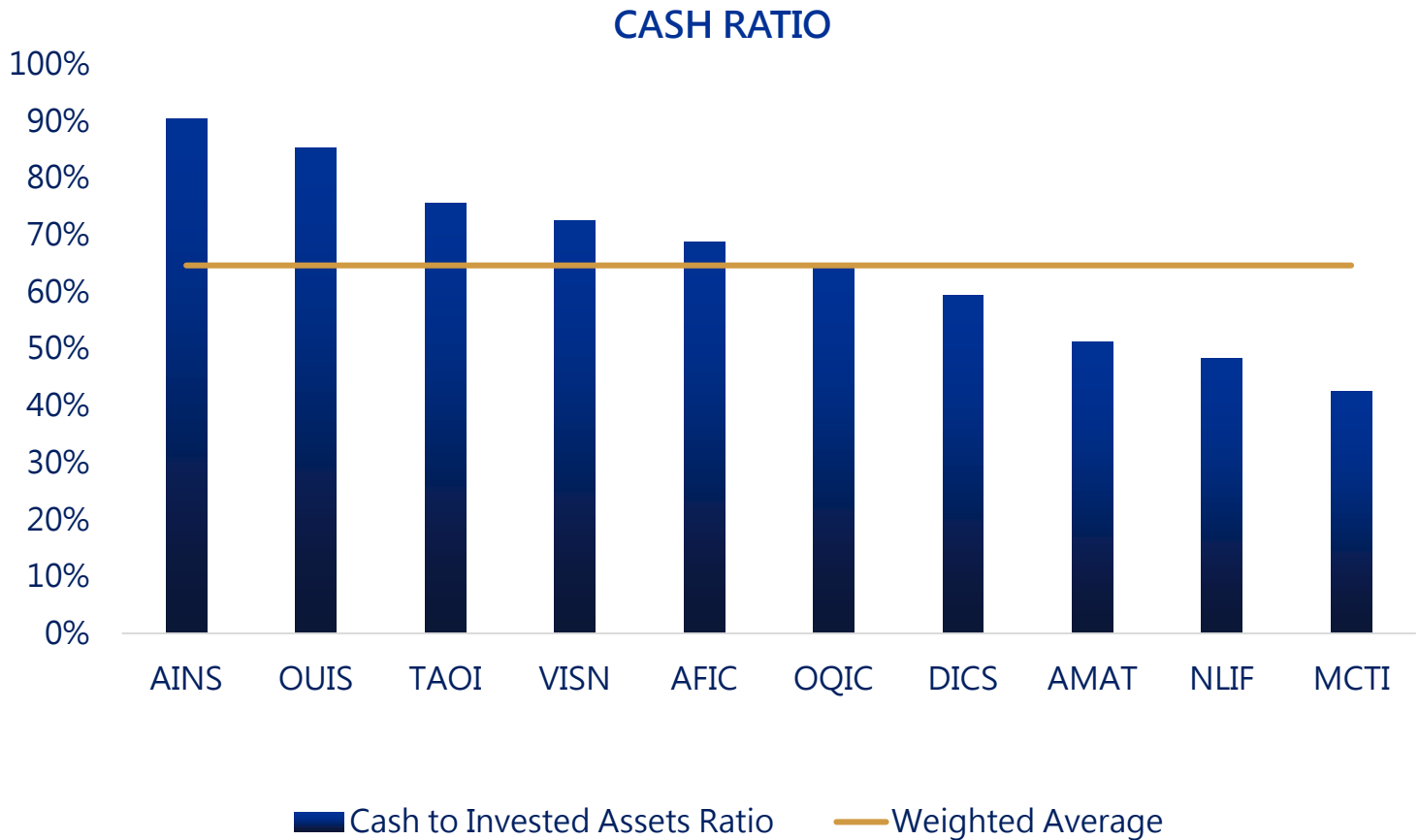
Return On Equity



The weighted average Return on Equity (ROE) for the Listed Insurance companies in Oman is 15%. NLIF depicts the highest return on equity of about 31% whereas MCTI has recorded the lowest return of -9%.

The Return on Equity is calculated as a ratio of net profit (before tax) recorded for the last 12 months to total of shareholder's equity at the beginning of the period 2020.

Cash To Invested Assets



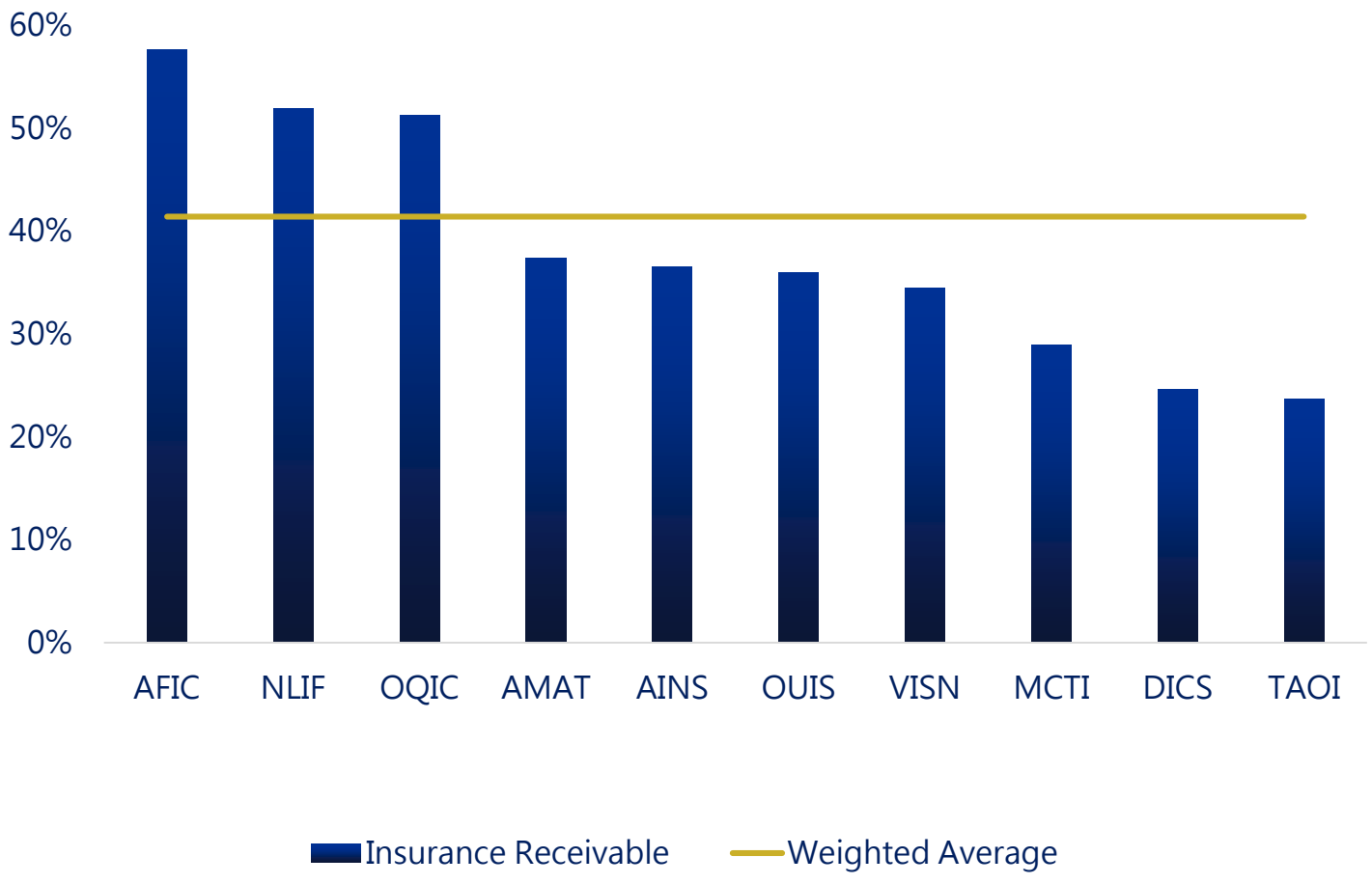
The Cash ratio of the industry works out to 65%. AINS having the highest level of 90% maintained as Cash, while the lowest being 43% reflected by MCTI.

The Cash Ratio indicates very high liquidity for the market as a whole.

The Cash ratio has been taken as the ratio of Cash and Bank Deposits to Total Invested Assets.

Insurance Receivables

INSURANCE RECEIVABLES

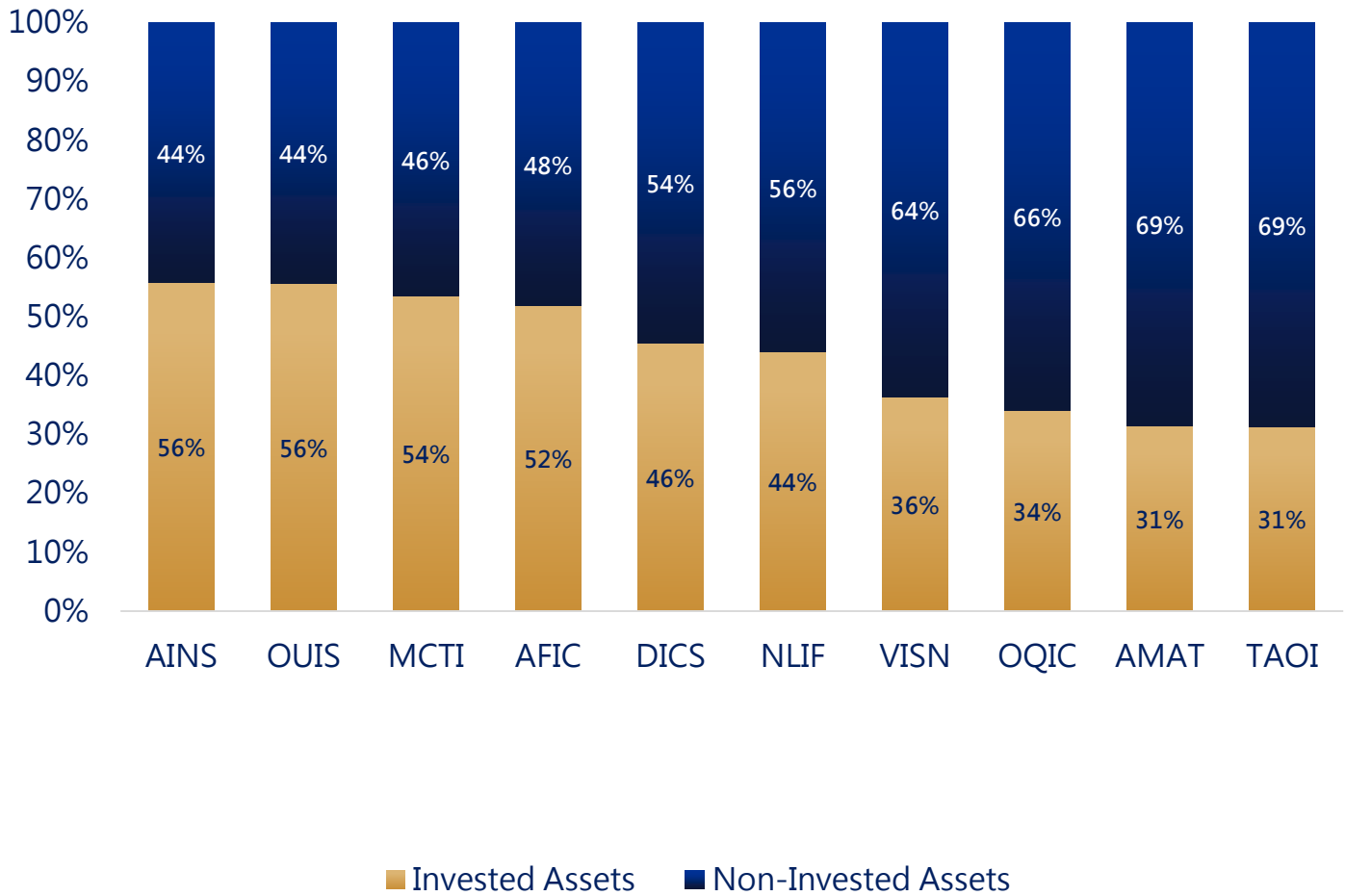


The insurance receivables are computed as a ratio of Insurance receivables of the company over gross written premium of last 12 months.

AFIC is observed to have the highest receivable ratio of 58%, while TAOI recorded the lowest ratio of 24%. The weighted average insurance receivables ratio for the Omani industry stood at 41% for the half year ended 2020.

Asset Mix

ASSET MIX

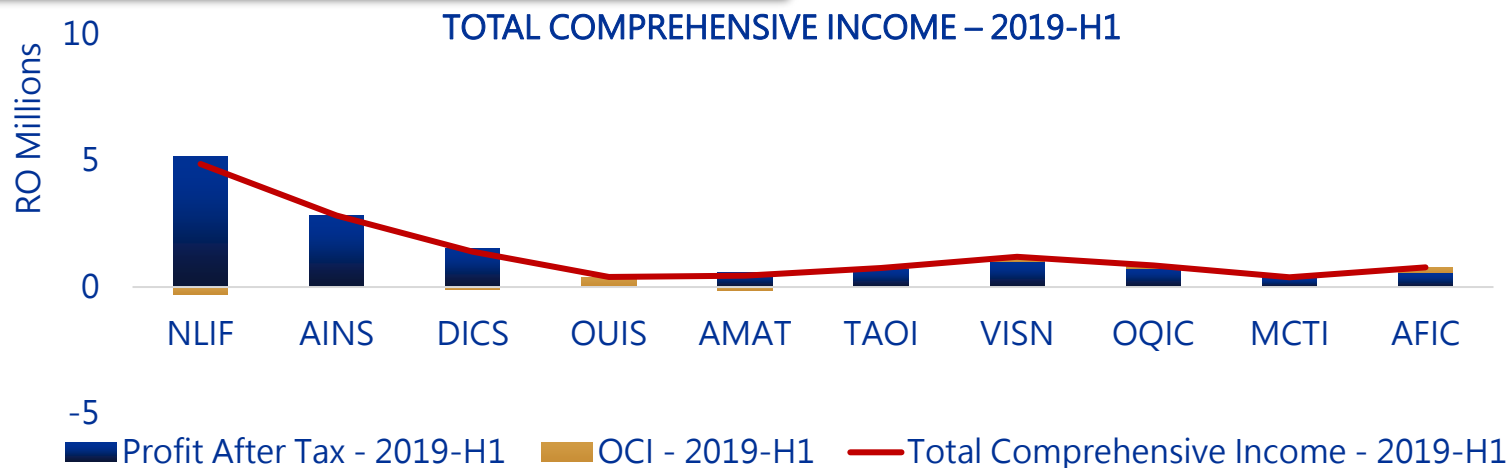


The Asset Mix compares the proportion of invested assets and non invested assets of the companies in Oman insurance industry for the period ended 2020-H1. AINS and OUIS having the highest proportion of 56% of their assets invested, while AMAT and TAOI has invested 31% of their assets comprising of the lowest proportion of Asset Mix in the industry.

The above chart is sorted in descending order of the proportion of invested assets of the companies.



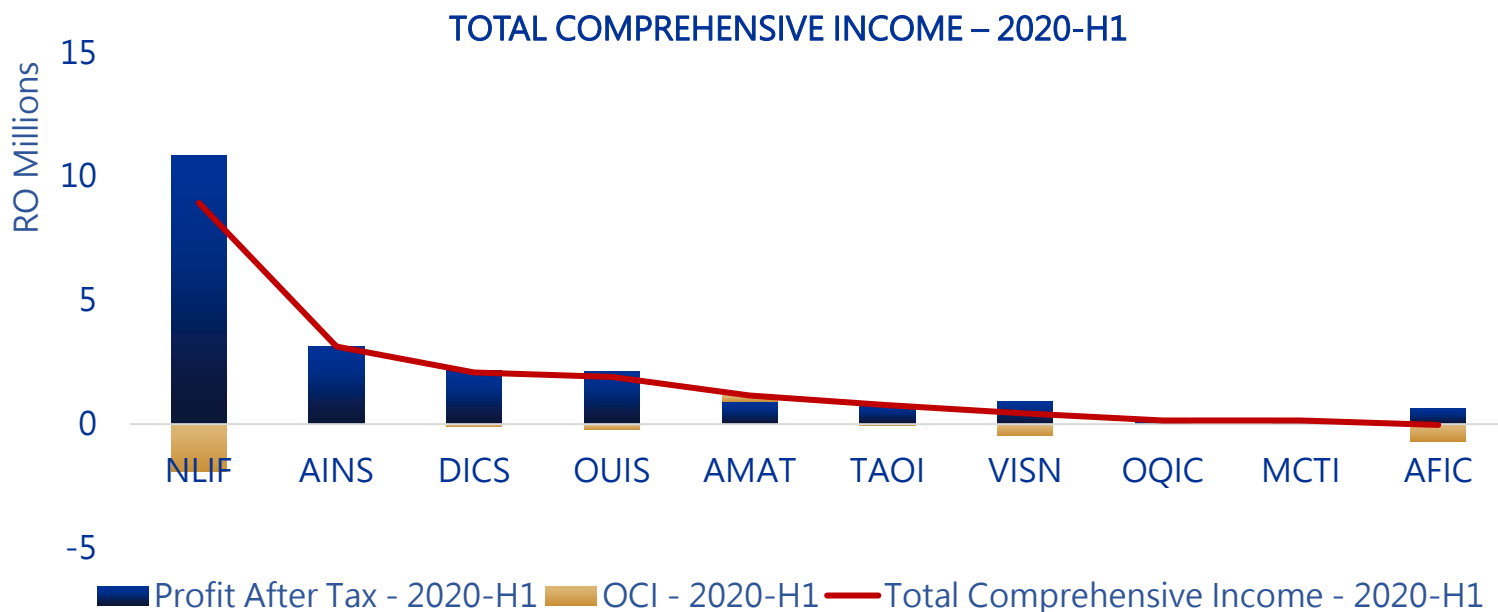
Total Comprehensive Income



The Indices of general market performance in the Stock Exchange exhibited a declining trend post the outbreak of COVID 19. The realization of the decline is reflected through either profit & loss accounts or Other Comprehensive Income statements of the Companies.

The Total Comprehensive Income (Profit after Tax plus Other Comprehensive Income) for half-year ended 2020 exhibits a significant increase of 35%. This increase is mainly due to exceptional growth in profits after tax displayed by NLIF, though it also recorded the highest deterioration in Other comprehensive income when compared with the corresponding period of 2019. Nonetheless, the growth percentage of Total Comprehensive Income drops to 9% (from 35%) if NLIF is excluded.

NLIF, AFIC, TAOI, VISN, DICS and OUIS recorded losses in the fair value of their investments for 2020-H1. It is observed that OCI for companies has declined by 870% in the half year ended 2020 when compared with the corresponding period of 2019.





Conclusion

- With the ongoing effects of the pandemic, listed insurance companies in Oman recorded a decline of 4% in premiums during the half year ended 2020 when compared with the corresponding period of 2019. The total premiums written during 2020-H1 amounted to be RO 218 million as compared to RO 226 million of premiums written in 2019-H1.
- The average premium retention ratio stood at 60% for 2020-H1 (Life business retention ratio : 73% and Non-Life business : 49%).
- The average loss ratio for the listed companies analyzed in the report stood at 58% and average combined ratio was at 84%. The average combined ratio for Takaful and Conventional insurers was evaluated to be 94% and 83% respectively. For Takaful companies, policyholders and shareholders P&L was considered for comparative purposes.
- The profits recorded for the half year ended 2020 observed a growth of 57% when compared with the corresponding period of 2019. Total Profits by the listed insurance companies for the period 2020-H1 amounted to RO 25 Million compared to profits of corresponding period of 2019 which were RO 16 Million.



Disclaimer

- The data represented in our report was gathered from publicly available information, and the financial statements released by the companies.
- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance for the year ended June 30, 2020. The data has been extracted from financial statements of those companies which were publicly listed.
- While we have tried to ensure accuracy in the data input and evaluation process, in view of the natural scope for human and/or mechanical error, either at input or during analysis, we accept no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions affecting any part of this publication. If you come across an error or have a query, do write to us.
- Due to Limited information we were unable to segregate further into class of business. Once all companies start publishing financial statements with uniform level of segregation, this can be done.
- The Group & Individual Credit Life, Family Takaful and Term & Whole Life Plans are considered as Life Insurance while Other General Insurance are taken as Non-Life Insurance due to the available segmentation in the published financials. For NLIF and MCTI, Medical is not segregated from Life in the published financial statement therefore, due to limitation it is presented under Life Business segment.



Companies Included in the Analysis

Company Name	Ticker Name
Al Madina Takaful	AMAT
Al-Ahlia Insurance Company	AINS
Arabia Falcon Insurance Company	AFIC
Dhofar Insurance Company	DICS
Muscat Insurance	MCTI
National Life & General Insurance	NLIF
Oman United Insurance Company	OUIS
Oman Qatar Insurance Company	OQIC
Takaful Oman Insurance	TAOI
Vision Insurance Company	VISN



BADRI

ABOUT OUR TEAM

UAE/Oman
Actuarial

26 STAFF

KSA Actuarial

21 STAFF

Medical

4 STAFF

Business
Intelligence

11 STAFF

End of Service

5 STAFF

Metier

2 STAFF

11 SUPPORT AND ADMIN STAFF

TOTAL STRENGTH = 80

CONTACT US!



Hatim Maskawala



Manaal Siddiqui



Uroosha Jameel Khatri



Subhan Naeem

FEEDBACK

Badri Management Consultancy is proud to present the 2020-H1 report. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

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