



BADRI

# **OMANI LISTED INSURANCE COMPANIES PERFORMANCE ANALYSIS FOR YEAR END 2020**

**JUNE 27, 2021**

## **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.

# 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.**

# Core Values

## **Integrity**

**We uphold the highest standards of integrity in all of our actions by being professional, transparent and independent.**

## **Chasing Excellence**

**Through our empowered teams, we raise the bar by challenging norms to provide cutting edge solutions to our partners.**

## **Fostering Partnerships**

**We foster our partnerships with all our stakeholders through collaboration, empathy and adaptability.**

## **Breeding Excitement**

**We value our people and create an exciting environment for them to develop.**

## **Growth-Centric**

**We believe in creating a vibrant culture through continuous personal and professional growth of our people, while also growing the business.**

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## Summary of 2020

### Business Written

RO **386** mn  
2019: RO 403 mn

### Profit recorded by listed companies

RO **39** mn  
2019: RO 28.7 mn

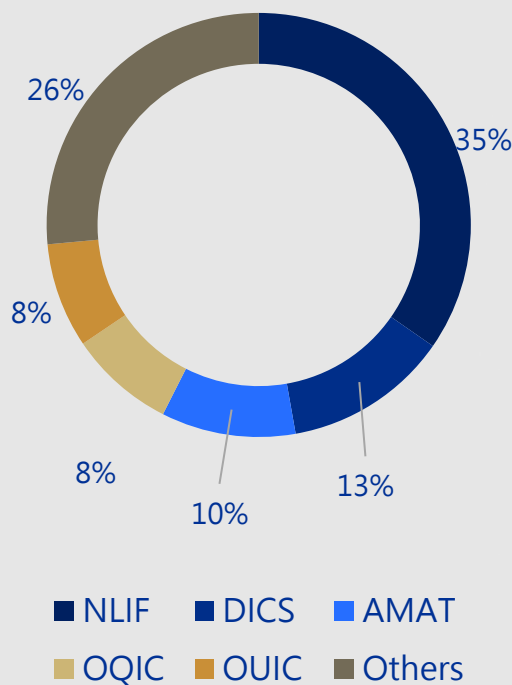
### Industry Average Loss Ratio

**63%**  
2019: 69%

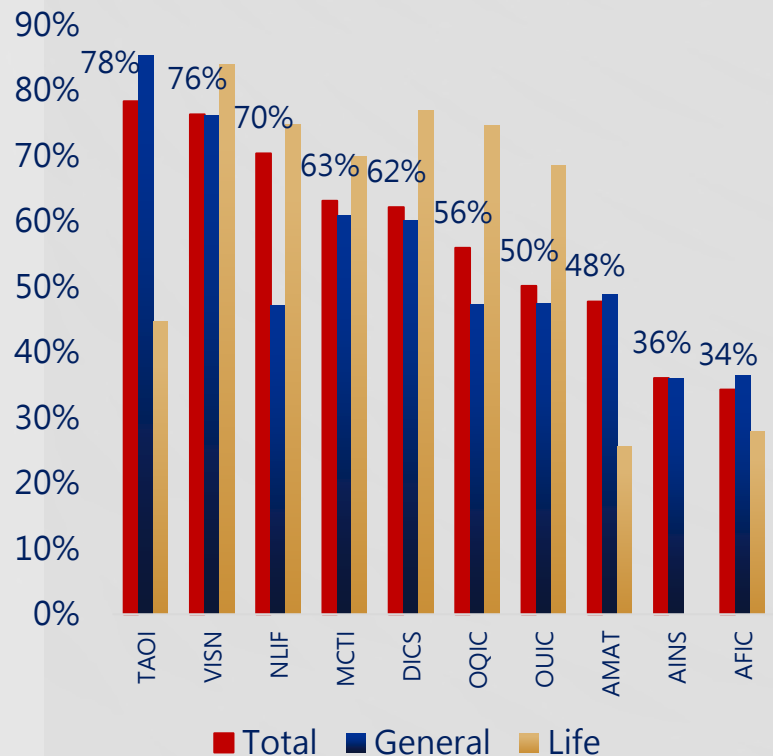
### Industry Average Combined Ratio

**90%**  
2019: 94%

### Market Share



### Business Segment wise Loss Ratio



### Profit Growth for Listed Companies

**36%**  
2019: 14%

### GWP Growth for Listed Companies

**-4%**  
2019: 6%

### Industry Average ROE

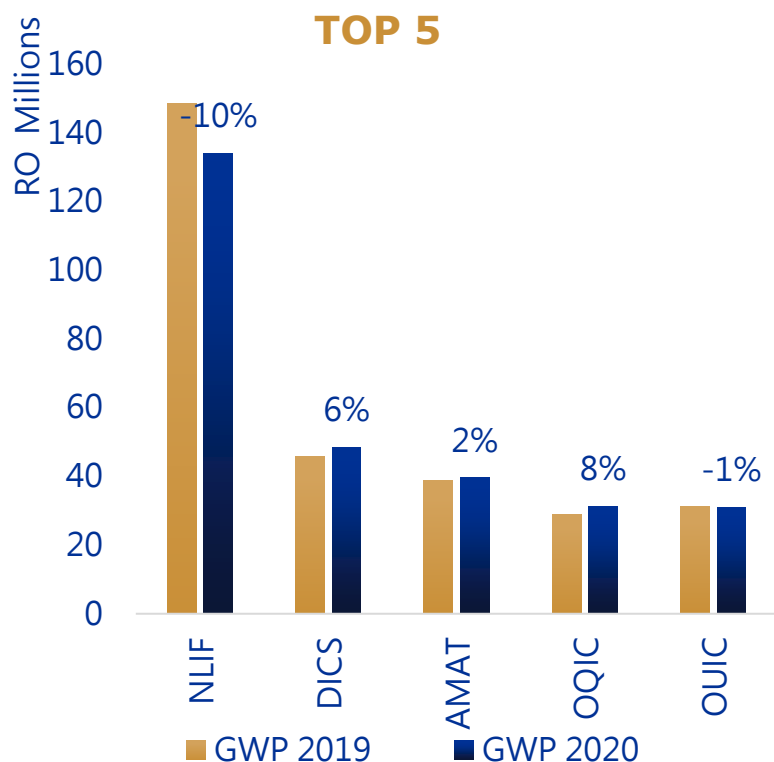
**15%**  
2019: 12%

### Insurance receivables to GWP for Listed Companies

**27%**  
2019: 33%



## Gross Written Premiums

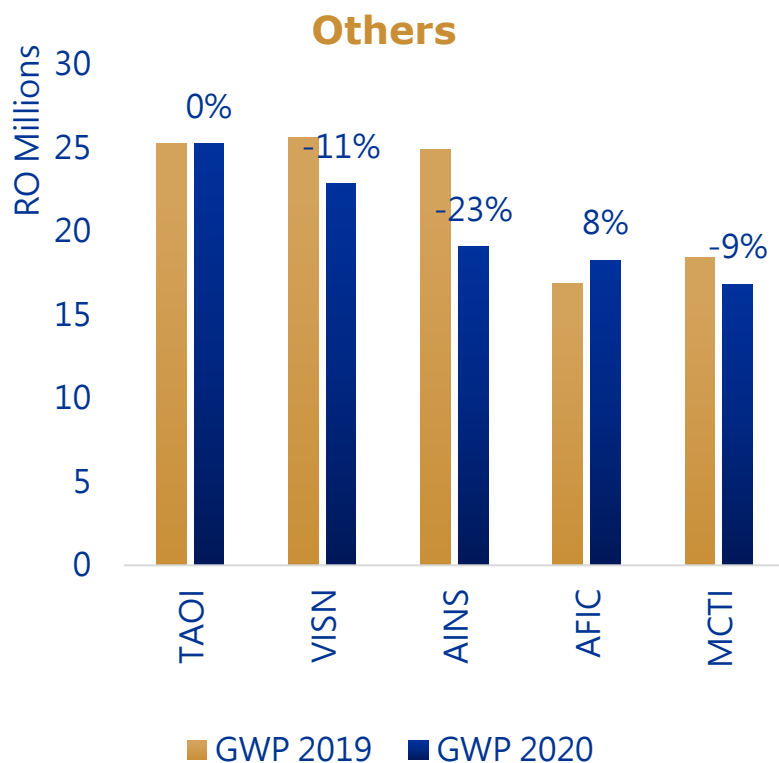


The insurance companies in the Sultanate observed a drop in business with total gross written premium of about RO 386 million, depicting a decline of 4% from 2019 which is to be expected given 2020 was greatly impacted by the COVID-19 pandemic. However, a few companies (DICS, OQIC, AMAT and AFIC) observed a growth in premiums when compared to last year.

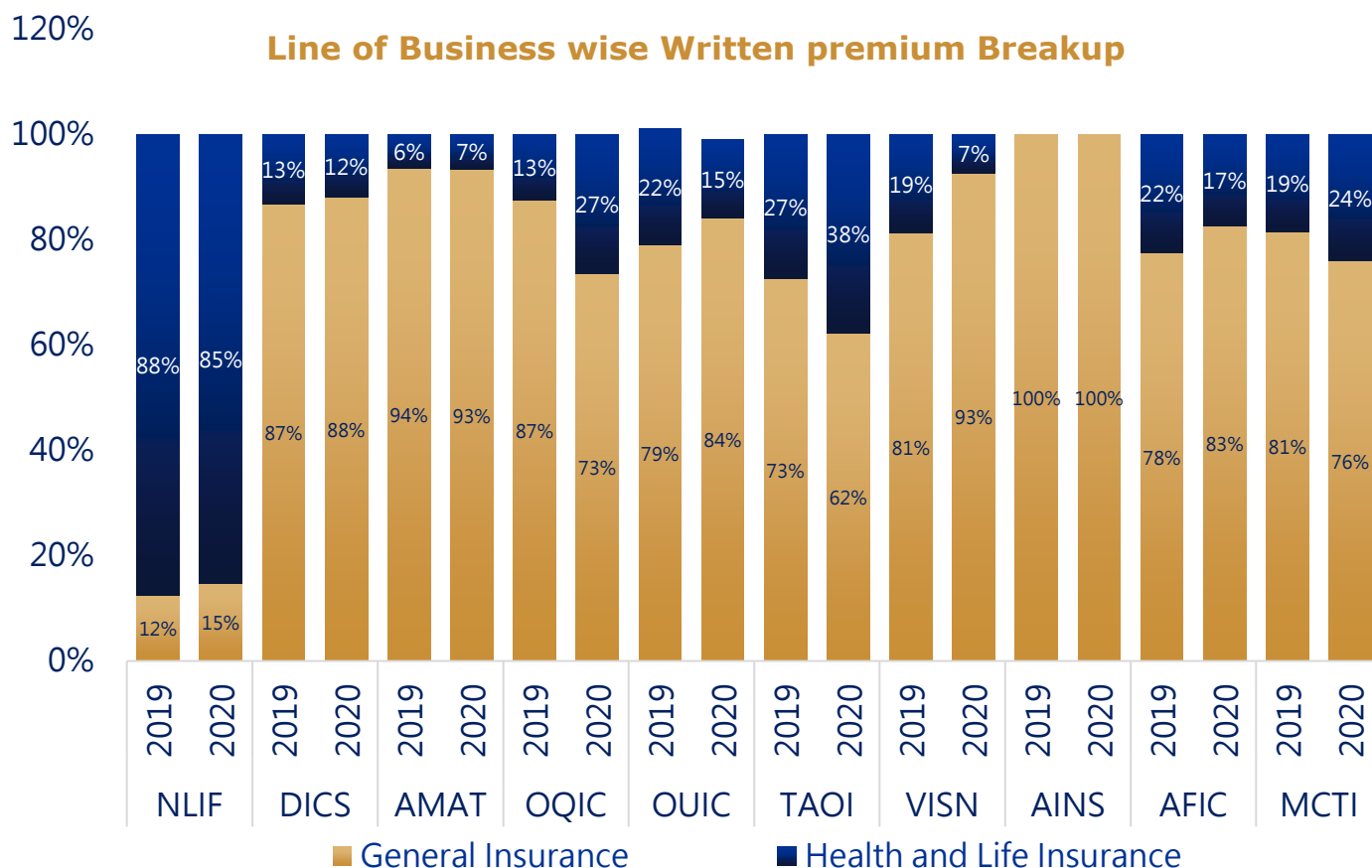
The TOP 5 insurers in terms of GWP amounted to RO 284 million, hence contributing 74% of overall market.

NLIF being the market leader in Health and Life Insurance secures top rank and contributed 35% share in insurance sector for the year ended 2020. NLIF's premium of RO 134 million includes RO 72 million from overseas subsidiaries which is about 54% of their total business. However, as the consolidated numbers are reported, we have used the consolidated financials statements.

OQIC and AFIC exhibited the highest GWP growth rate of 8%, while AINS observed the largest decline of 23%.



## Gross Written Premiums



The business for NLIF is concentrated in Health and Life Insurance which comprises 85% of the total gross premiums of the Company for the year 2020. This is a slight decline when compared to the 88% in 2019.

Excluding NLIF, the companies operating in Oman concentrate predominantly in Non-Life Insurance Business. 84% of the GWP excluding NLIF is attributable to Non-Life Insurance, while as a percentage of the overall market including NLIF, this works out to 60% for the year ended 2020. The ratios have remained consistent with the previous period.

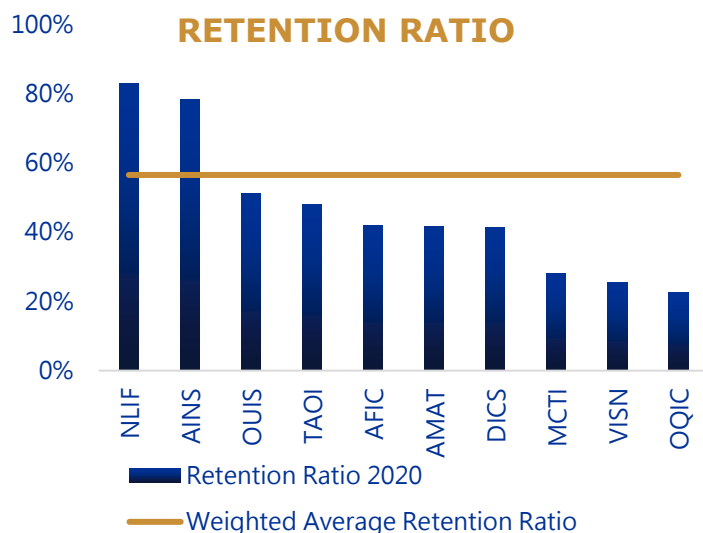
For AINS, segmental information was not available and thus all amounts have been allotted to Non-Life insurance business only.

The Non-Life segment has exhibited a 6% decline whereas the life segment declined by 3% when compared to 2019, resulting in an overall drop of 4% in gross written business of Oman Insurance Industry.

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



## 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 the companies in the Sultanate in 2019 stood at 57% and has remained consistent in 2020 with NLIF reflecting highest retention of 83% while OQIC depicting the lowest retention of 23%.

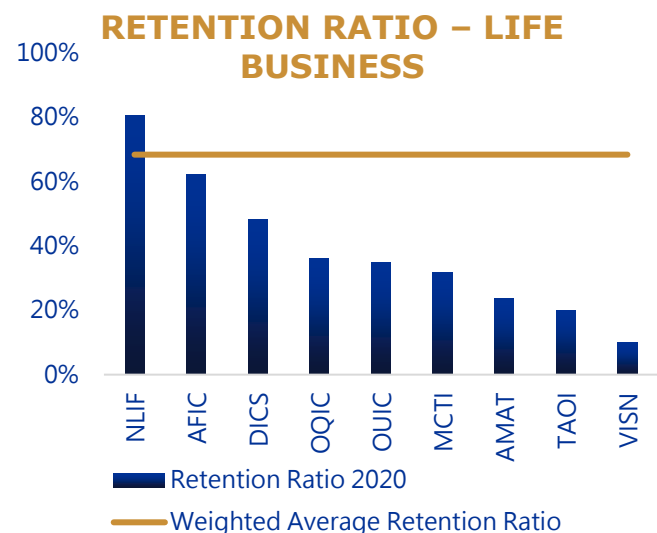
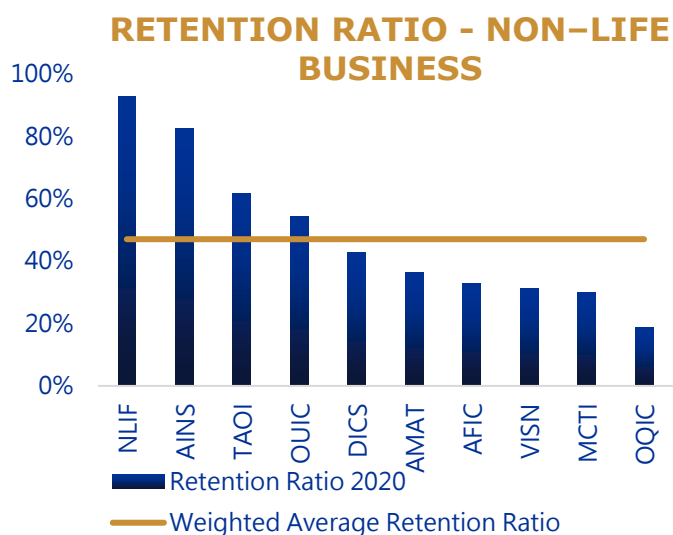
Although there may be exceptions, retention ratios are generally reflective of lines of business being underwritten; Motor and Medical generally tend to have high retention ratios while commercial lines such as Aviation, Engineering and Fire tend to have lower retention.

Life business shows higher retention levels than Non-Life business.

The weighted Average Retention ratio for Non-Life stood at 47% for 2020 in contrast with Life business retention ratio which is computed as 68%.

Due to the limited information available for Life and Non-life segments of VISN, the retention ratios have been calculated using net earned premium instead of net written premium.

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







# Profit Before Tax

The Insurance companies in the Sultanate of Oman have shown a profit growth of 36%, where the total profit amounted to RO 39 Million for 2020 (2019: RO 29 Million). It is worth mentioning that the profit growth drops to 27% (from 36%) for 2020 if NLIF is excluded from this analysis.

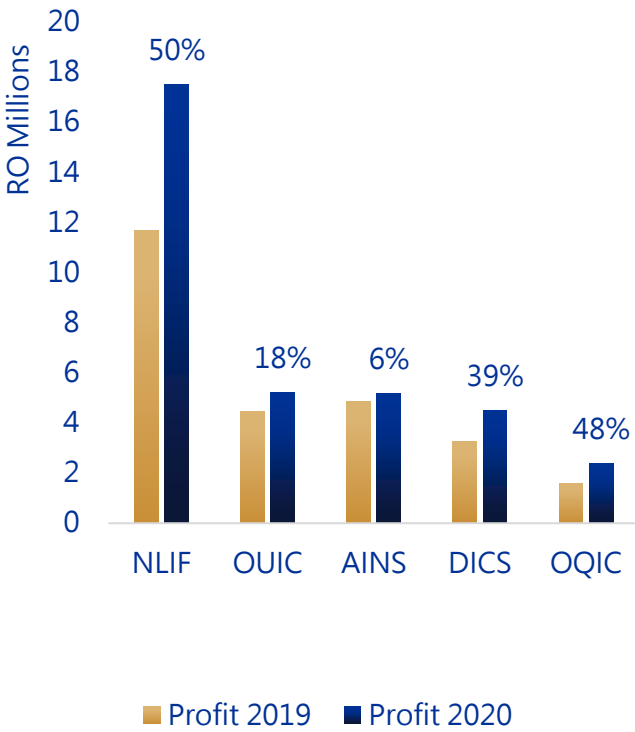
NLIF booked the highest profit amounting to RO 17.5 Million, which is an increase of 50% from 2019 (RO 11.6 Million). NLIF makes up 44% of the total profit of the companies in the Sultanate for 2020. Having said that, it should also be noted that out of the RO 17.5 Million, 89% (RO 15.6 Million) of the profits are from business within Oman.

The highest profit growth was recorded by MCTI of about 152% while the largest decline of 1747% for the period was recorded by TAOI.

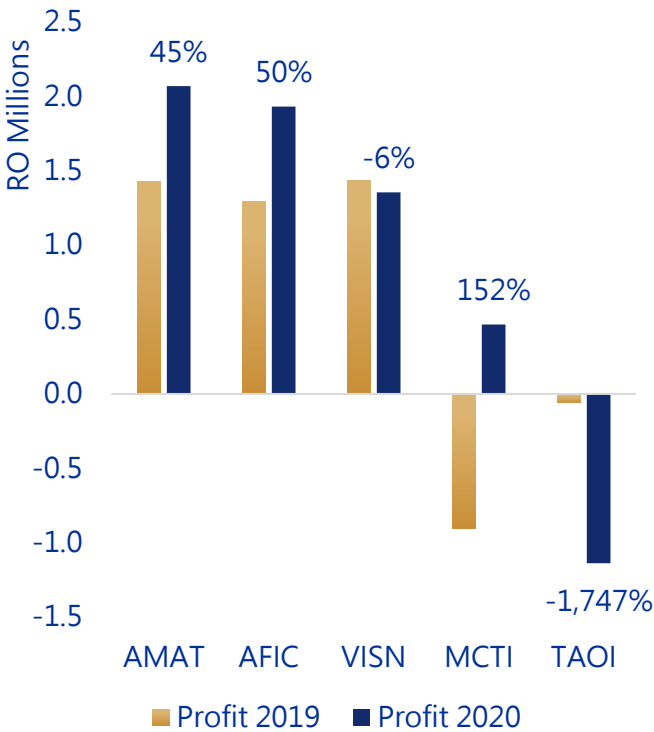
MCTI has managed to record a profit in 2020 after incurring losses since year-end 2019 up to 2020-H1 as shown in our past performance analysis reports.

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

## TOP 5 COMPANIES BY PROFIT

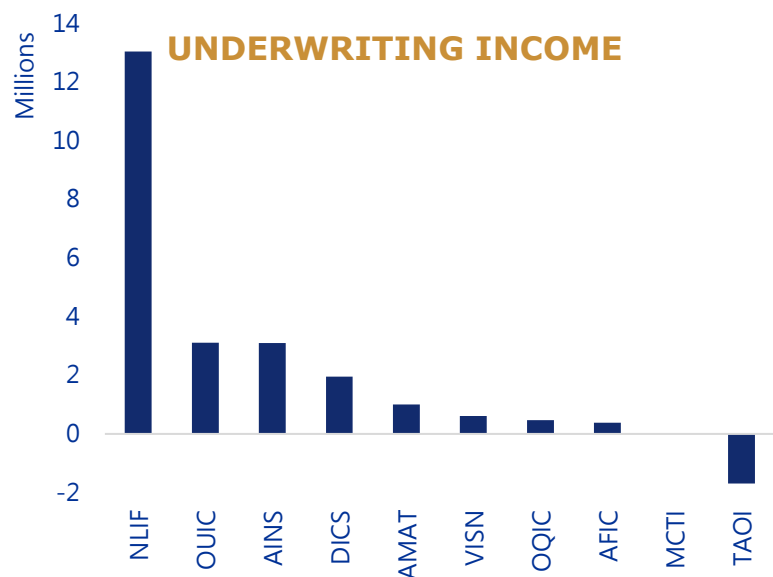


## OTHERS

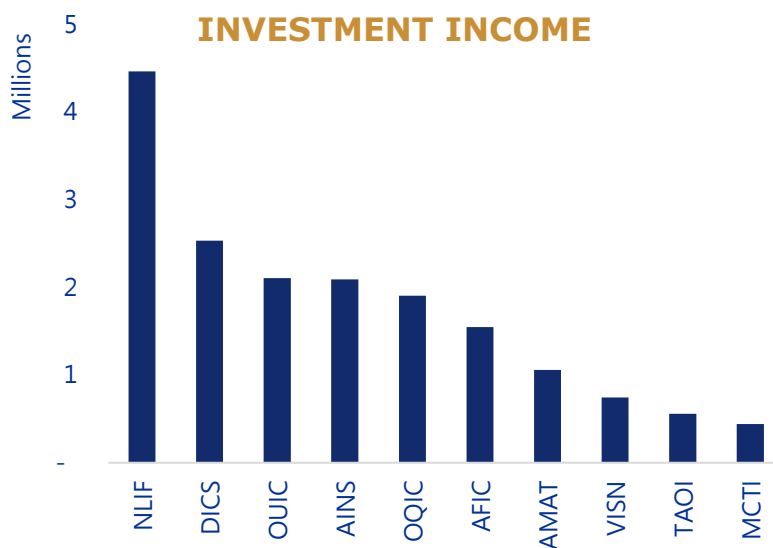




## Profit Before Tax

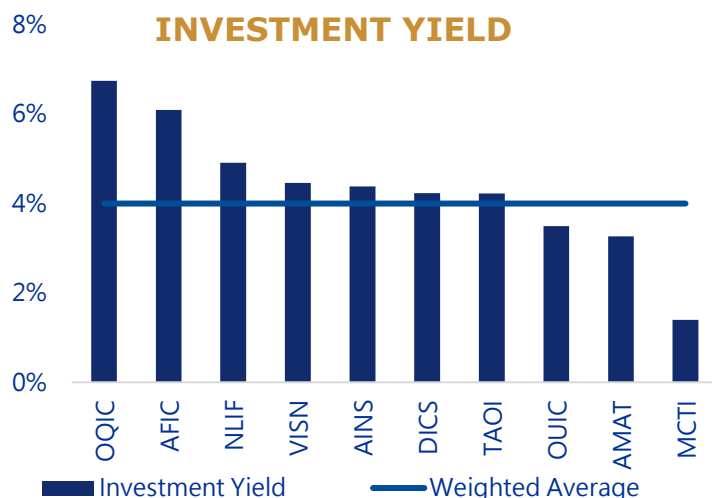


All listed companies, except TAOI, have recorded profits from their underwriting activities. As demonstrated by the first graph, NLIF recorded the highest underwriting profits; however almost half of their business is overseas while ~11% of profits are generated by overseas business.



The second graph demonstrates the investment income earned by each of the companies over the year. Similar to underwriting income, NLIF has recorded the highest investment income as well. It should again be noted that not all of the income is generated within Oman.

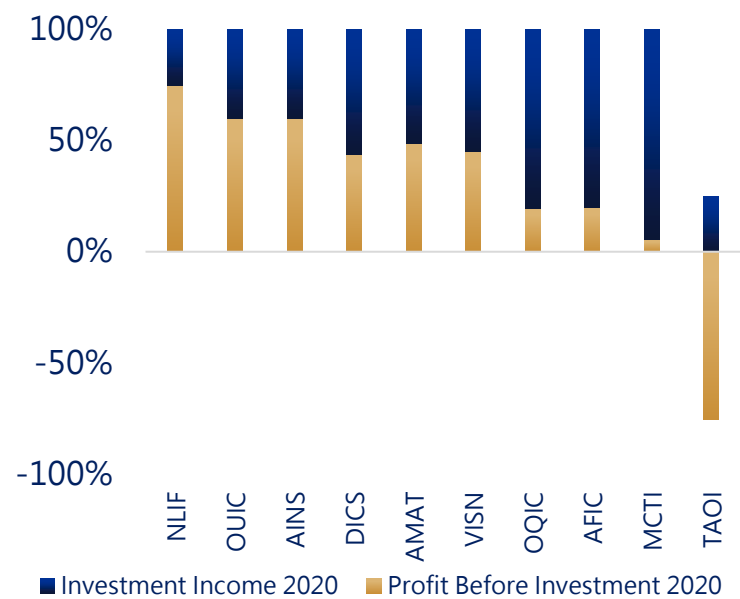
Lastly, we have depicted investment yield, calculated by dividing the investment income throughout 2020 by the invested assets at the start of the year. Despite the economy being affected by the pandemic, investment income has not been as severely impacted. This is due to the heavy reliance on bank deposits by the insurance companies. Due to its low-risk nature, the investment returns did not take as bad a hit; i.e., less than 5% reduction in investment rate was recorded on RO deposits.





# Profit Before Tax

PROFIT COMPOSITION -  
UNDERWRITING &  
INVESTMENT INCOME

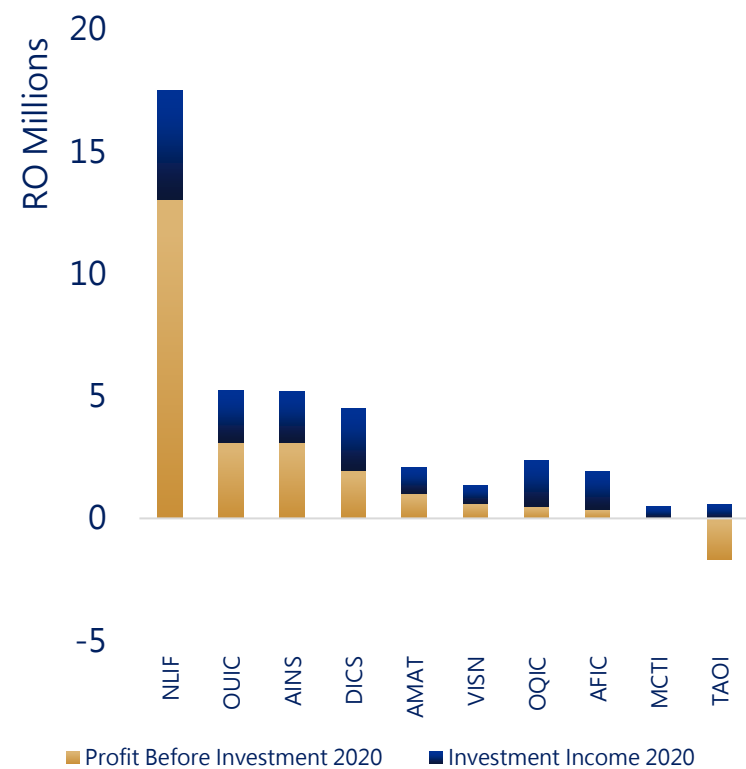


Investment Income has contributed in generating profits for all the listed Companies performing in Oman.

TAOI recorded a loss on underwriting activities. Although they recorded investment income, it was not sufficient to offset the loss.

Overall, three companies have investment income which is higher than the underwriting profits. This shows the importance of investment income in the industry when the primary profit source of insurance companies is expected to be from underwriting.

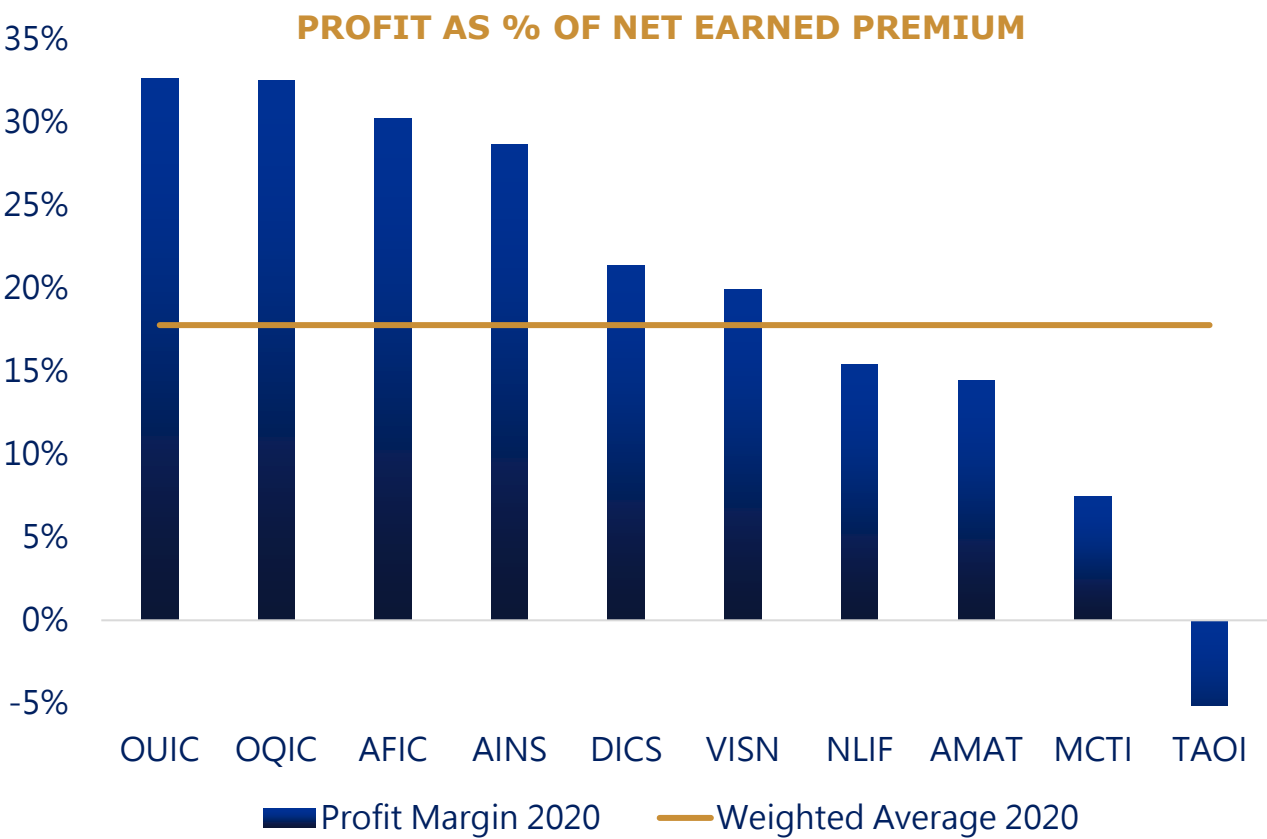
UNDERWRITING & INVESTMENT  
INCOME



The analysis presented here is sorted by Profit 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 for the year 2020.

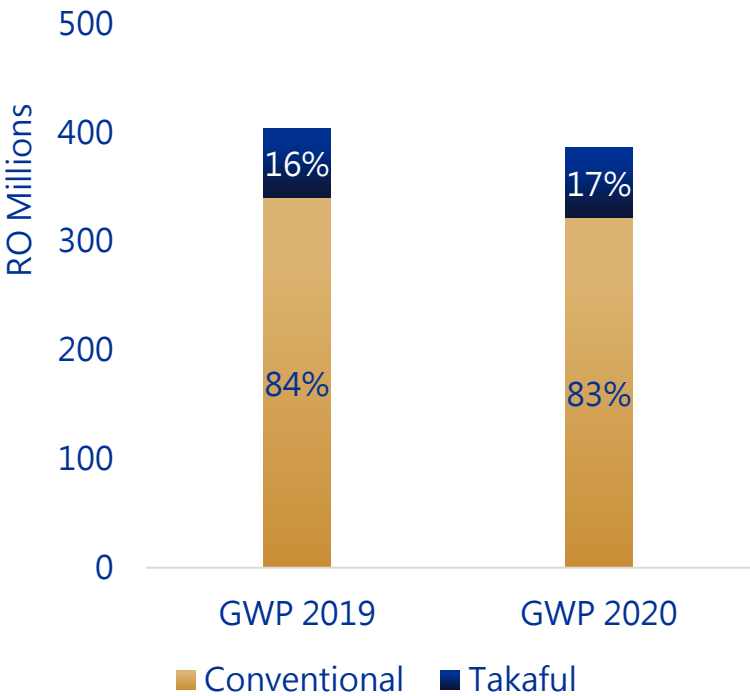
The Profit Margin of the Oman Insurance Industry stands at around 18% for 2020.

As depicted, OUIC has the highest profit margin, followed by OQIC.



# Conventional Vs Takaful

TAKAFUL & CONVENTIONAL BUSINESS DISTRIBUTION

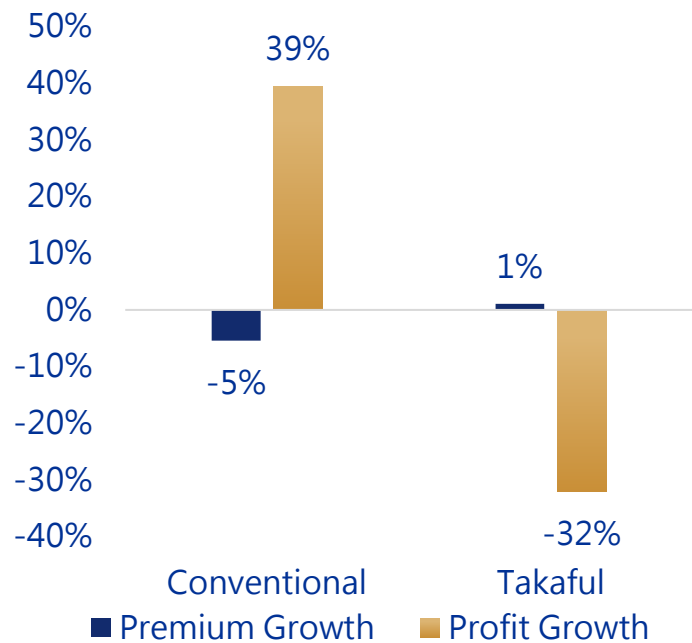


In the Sultanate of Oman, out of 10 listed insurance companies, only 2 operate as Takaful Insurers, contributing 17% of the total written business in 2020 which is a 1% increase from 2019.

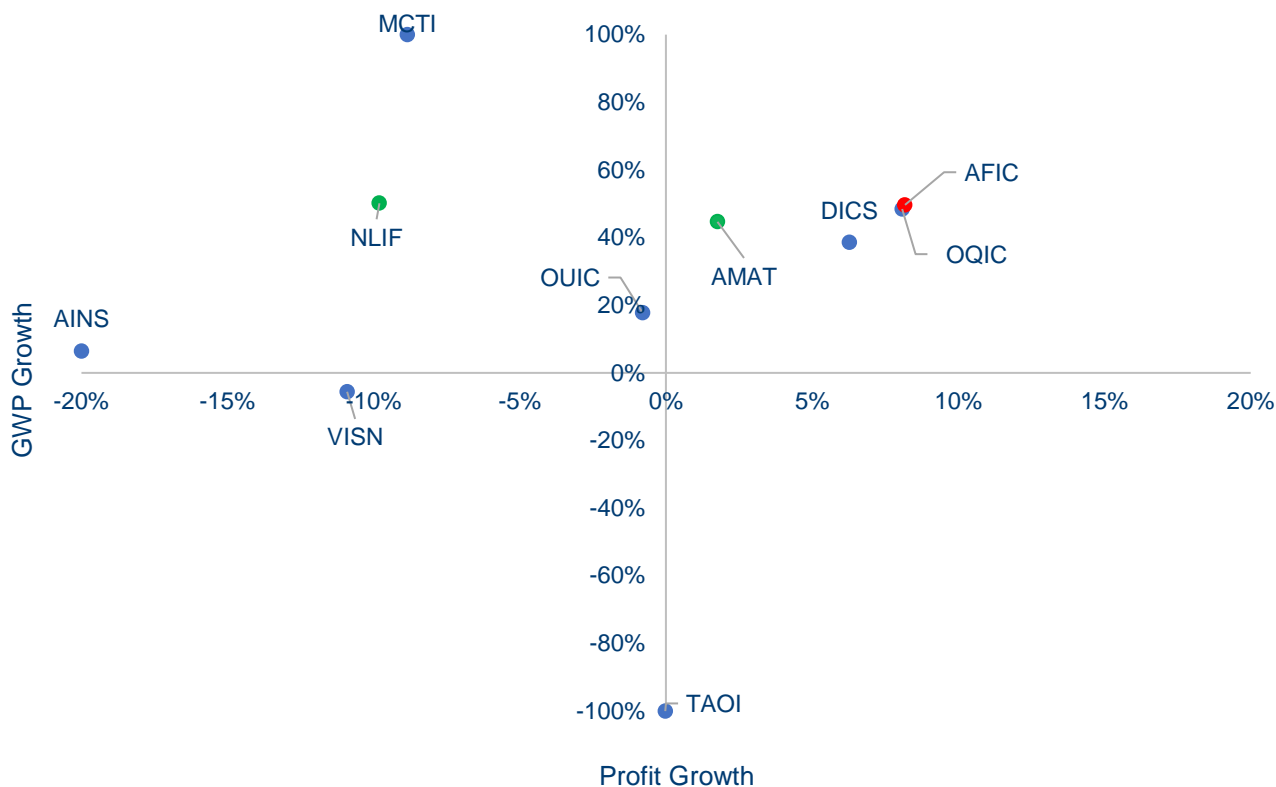
When comparing premiums with 2019, Takaful insurers exhibited a growth of 1% whereas the Conventional insurers observed a decline of 5% in 2020.

The profit growth of Conventional insurers is influenced by NLIF, which recorded a growth of 50% in profits whereas on the Takaful front, TAOI exhibited a significant decline in profit of 1747% while AMAT showed a profit growth of 45%. On an overall level, the Takaful business exhibited a decline of 32% in profits.

BUSINESS GROWTH FOR CONVENTIONAL & TAKAFUL INSURERS



## Premiums and Profit Analysis



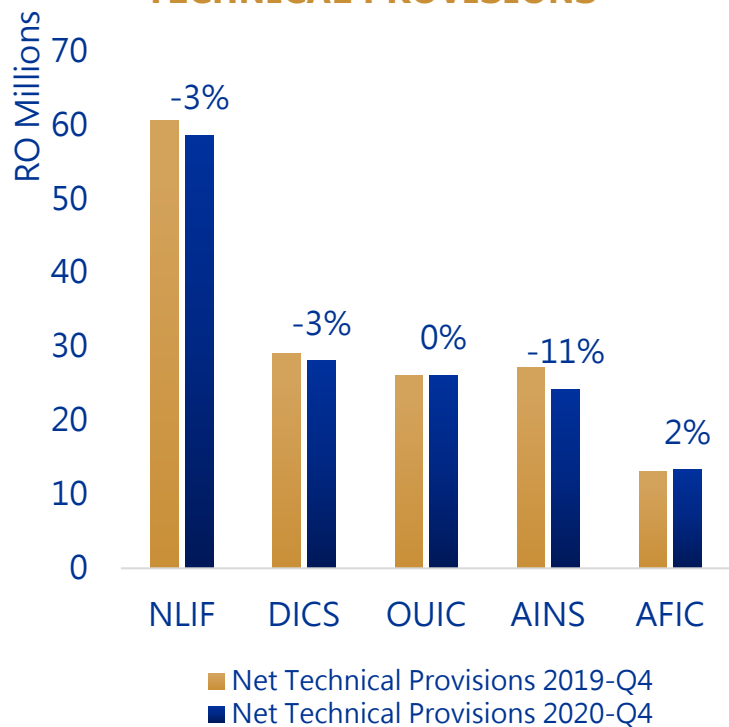
A summary of premium and profitability growth in 2020 from 2019 is presented. Companies exhibiting premium and profitability growth rate outside of the +20% and +100% range are capped, respectively.

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

The chart above is sorted by Gross Premium and represents the company's movement based on their profitability.

## Net Technical Provisions

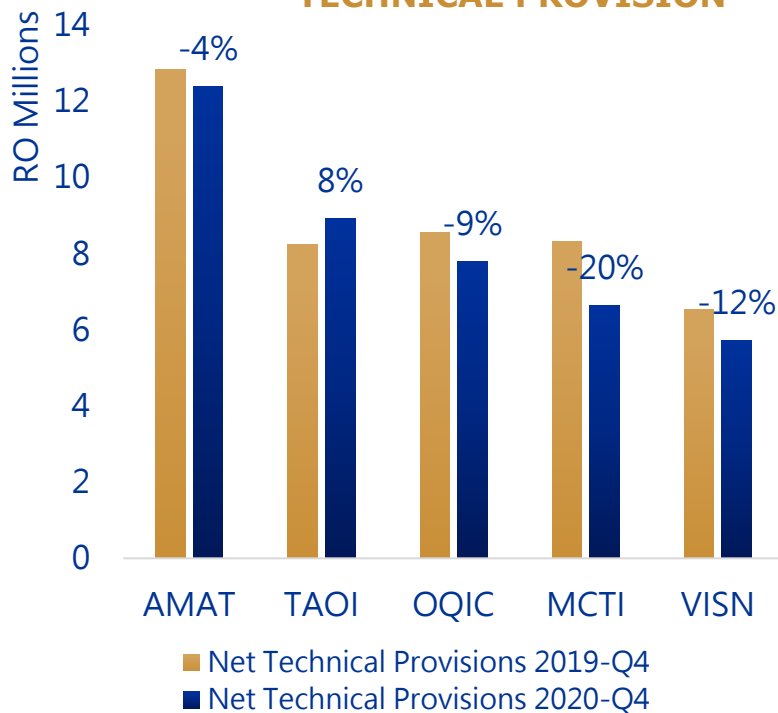
### TOP 5 COMPANIES BY NET TECHNICAL PROVISIONS



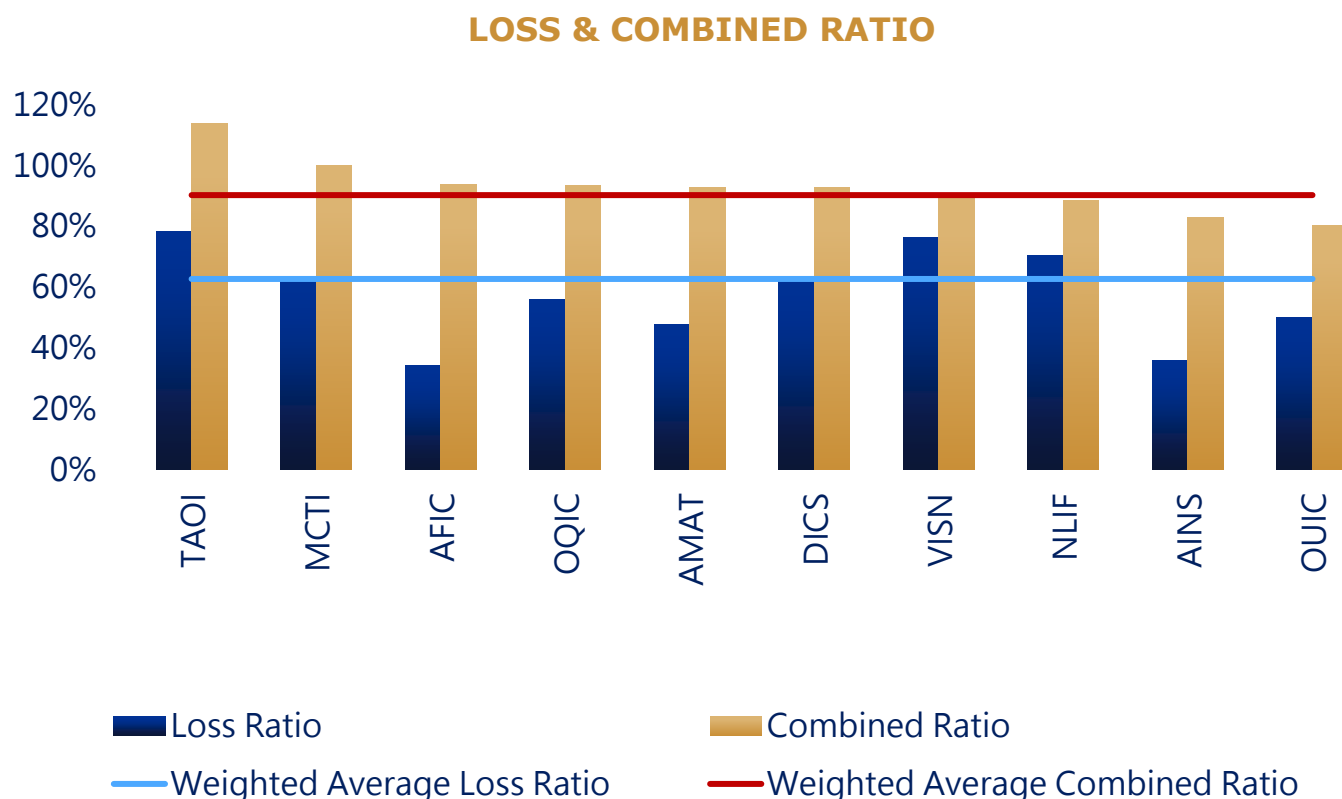
Total Net reserves as at the end of December 2020 dropped from RO 200 million to RO 192 million which is a decline of 4% when compared with the corresponding period of 2019.

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 and Combined Ratio



The weighted average loss and combined ratio of the insurance companies in the Sultanate of Oman is computed to be 63% and 90% respectively, with TAOI bearing the highest loss ratio and combined ratio of 78% and 114% respectively, whereas the lowest combined ratio of about 81% is depicted by OUIC.

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.

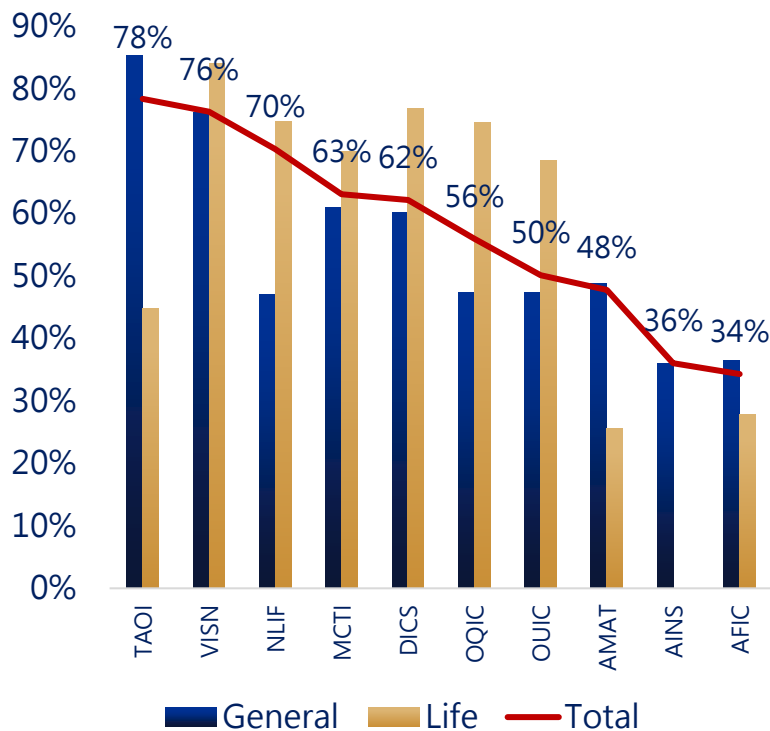
Combined Ratio is calculated as ratio of Net Incurred Claims along with G&A Expenses, Net Commissions and Other Expenses over Net Earned Premiums.





## Loss and Combined Ratio

### Business Segment wise Loss Ratio



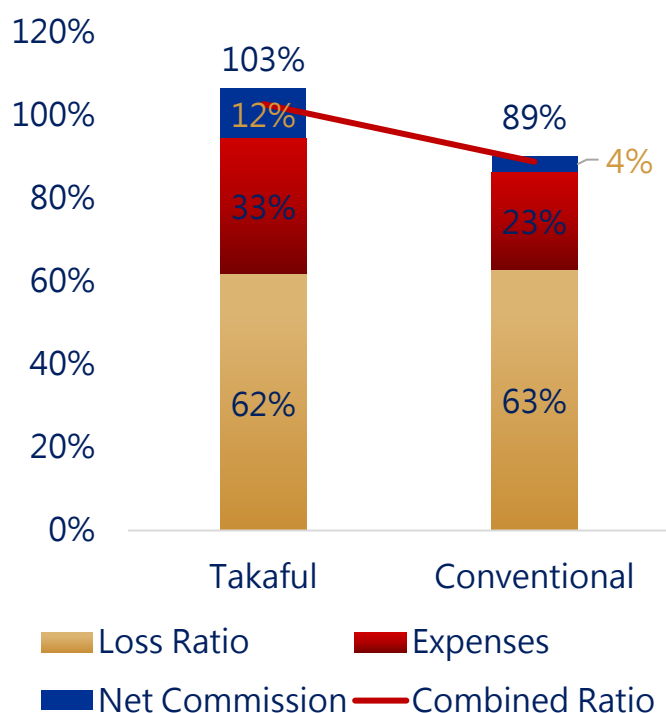
Since the Life and Non-Life business segment wise information was available, Loss Ratio analysis on the breakup is also presented. However, for AINS, segmented information was not available, hence all the information is allotted to General business.

Due to limited information, the graph shows reported net loss ratios for Life and Non-life segments.

The weighted average loss ratio for Life business in 2020 worked out to be 73% (2019: 77%) whereas Non-Life business had a weighted average of 53% in 2020. This was a significant drop compared to the 63% weighted average loss ratio for Non-Life business in 2019, owing to the improved performance of Motor due to the pandemic-induced lockdown and movement restrictions.

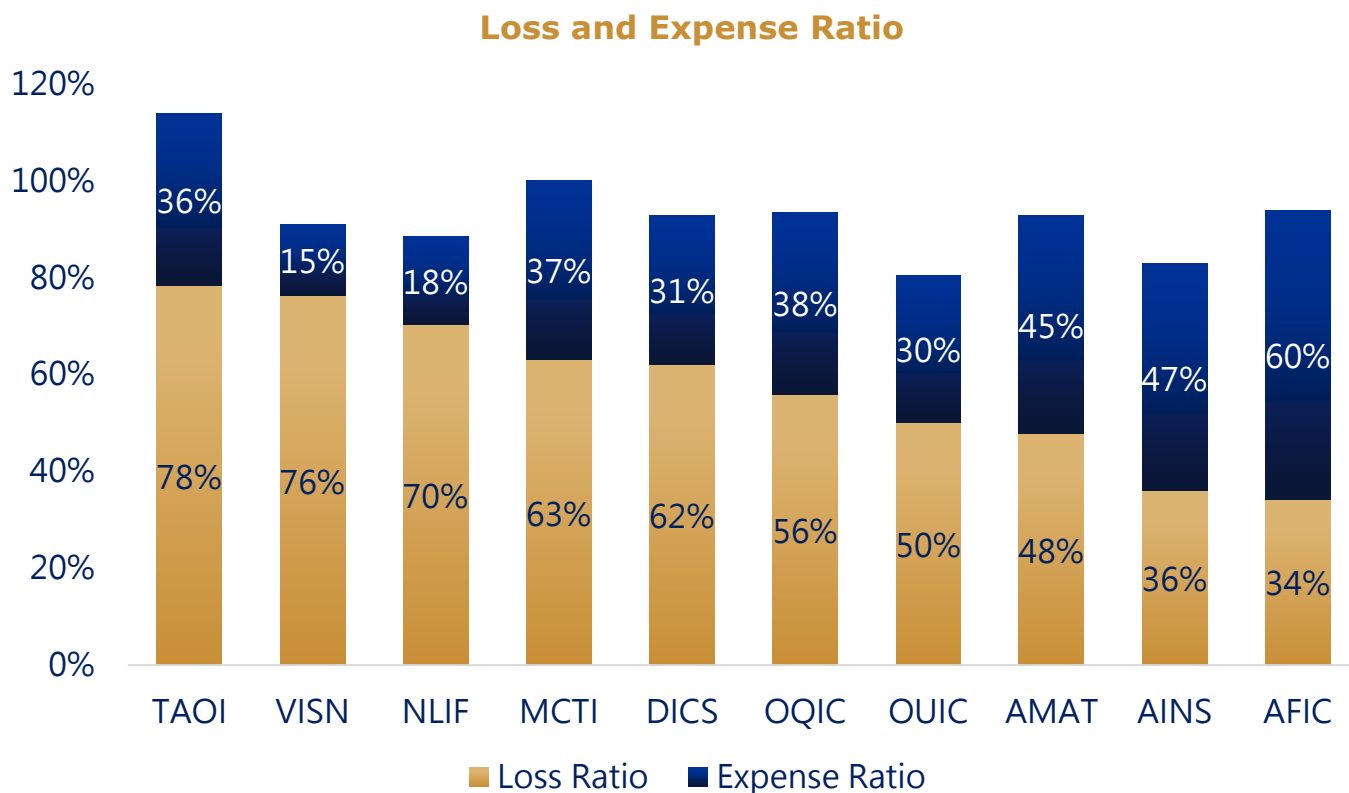
The weighted average loss ratios for takaful insurers are marginally lower than those of their conventional insurance counterparts. However, due to significantly higher expense and net commission ratios exhibited by the takaful operators, the overall combined ratio for takaful companies is higher than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

### Loss and Combined ratio performance - Insurer Type





## Loss and Expense Ratio



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

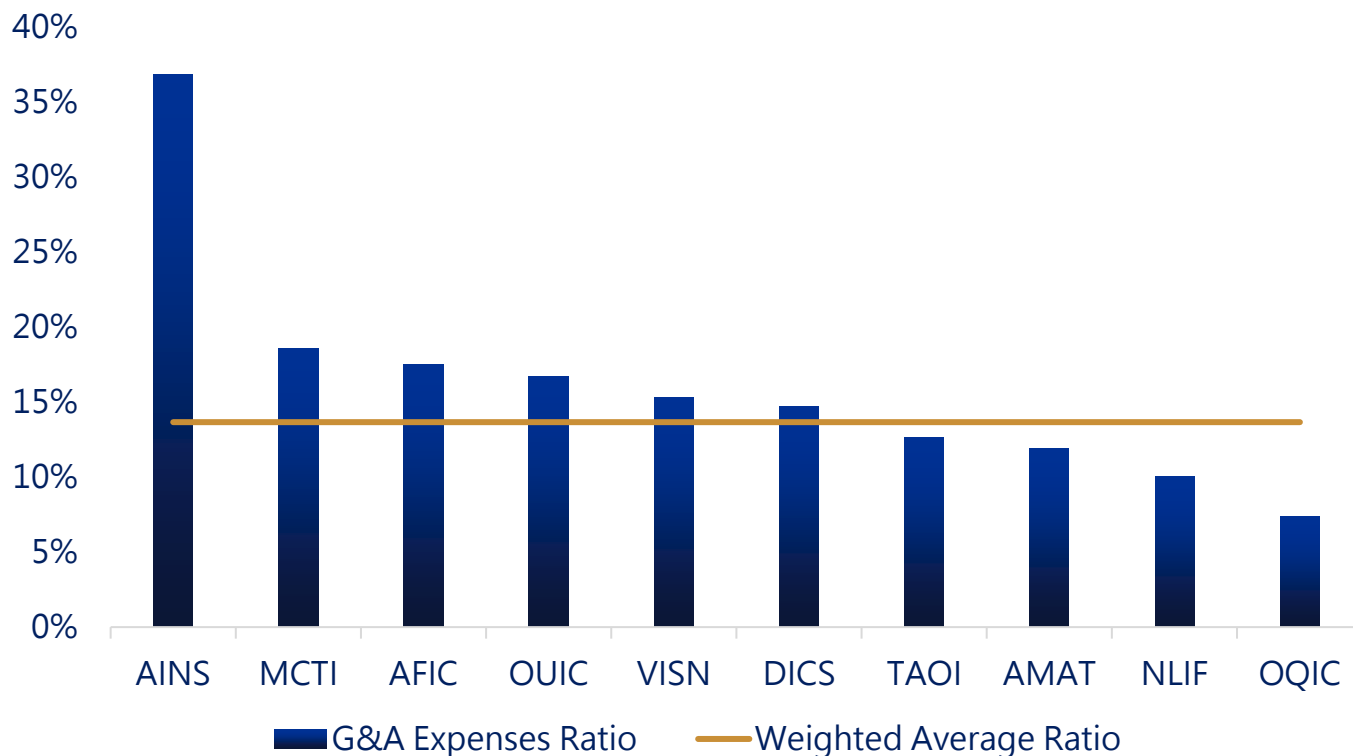
The Expense Ratios shown here include Net Commission Expenses and Other Expenses.

TAOI displays the highest loss ratio while AFIC has the lowest loss ratio. The expense ratios for AFIC and AINS are higher than their respective loss ratios. The highest expense ratio is depicted by AFIC, so while their loss ratios are low, the high expense ratio has pushed the combined ratio to 94%. The lowest expense ratio observed is 15% for VISN.



## Expense Ratio

### G&A EXPENSE AS A RATIO OF GROSS WRITTEN PREMIUM



It is commonly believed that the 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 a proportion of GWP works out to be 14%. AINS has the highest expense ratio (37%) for the year 2020, whereas the lowest expenses are observed by OQIC (7%).

Larger companies generally tend to have lower expense ratios, as they have sufficient business to absorb the fixed cost base.

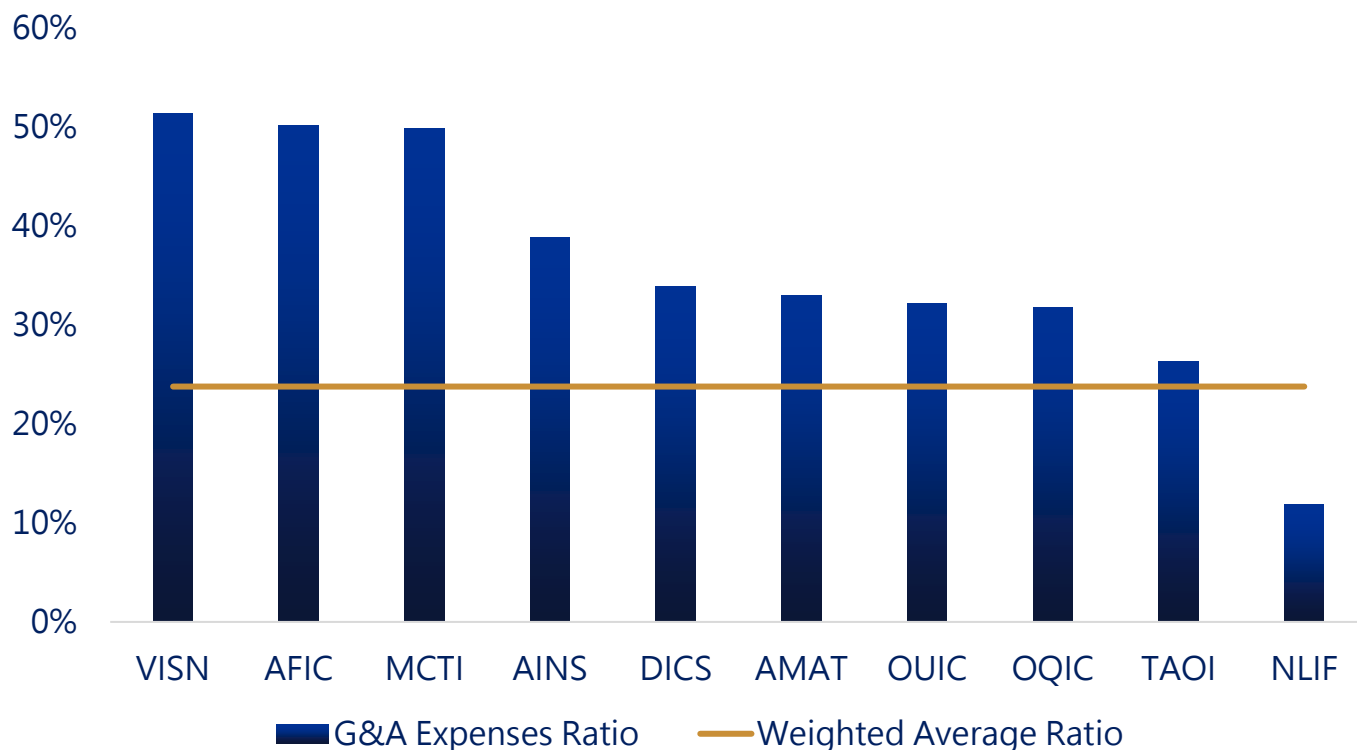
For Takaful companies, Wakala fees is ignored, as Wakala fees is a positive in one account and a negative in the other.

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, VISN bears the highest expense ratio of 51% followed by AFIC and MCTI with both having expense ratios of 50%.

NLIF recorded the lowest expense ratio in the industry at 12%.

The weighted average G&A expense ratio as a proportion of net earned premium for the listed Insurance companies stands at 24%.

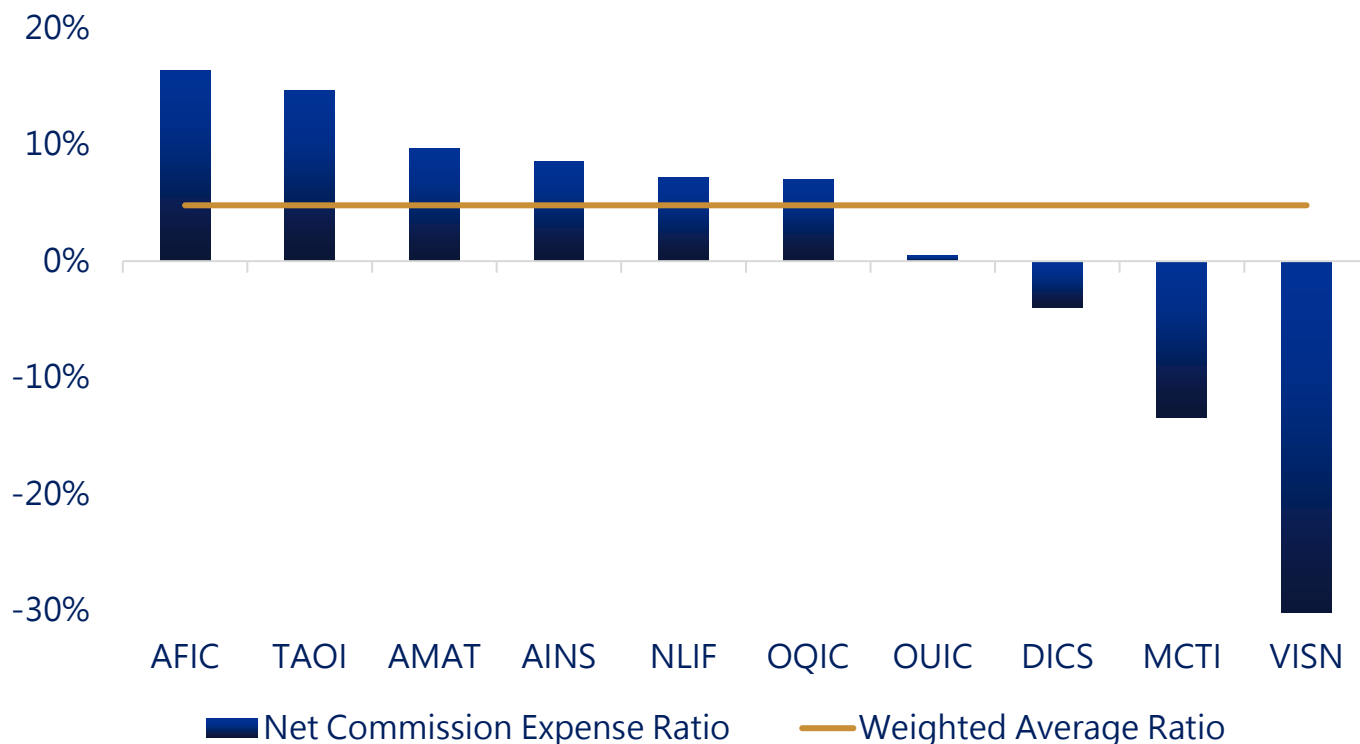
The expense ratio is worked out as:

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



## Expense Ratio

### COMISSION EXPENSE RATIO



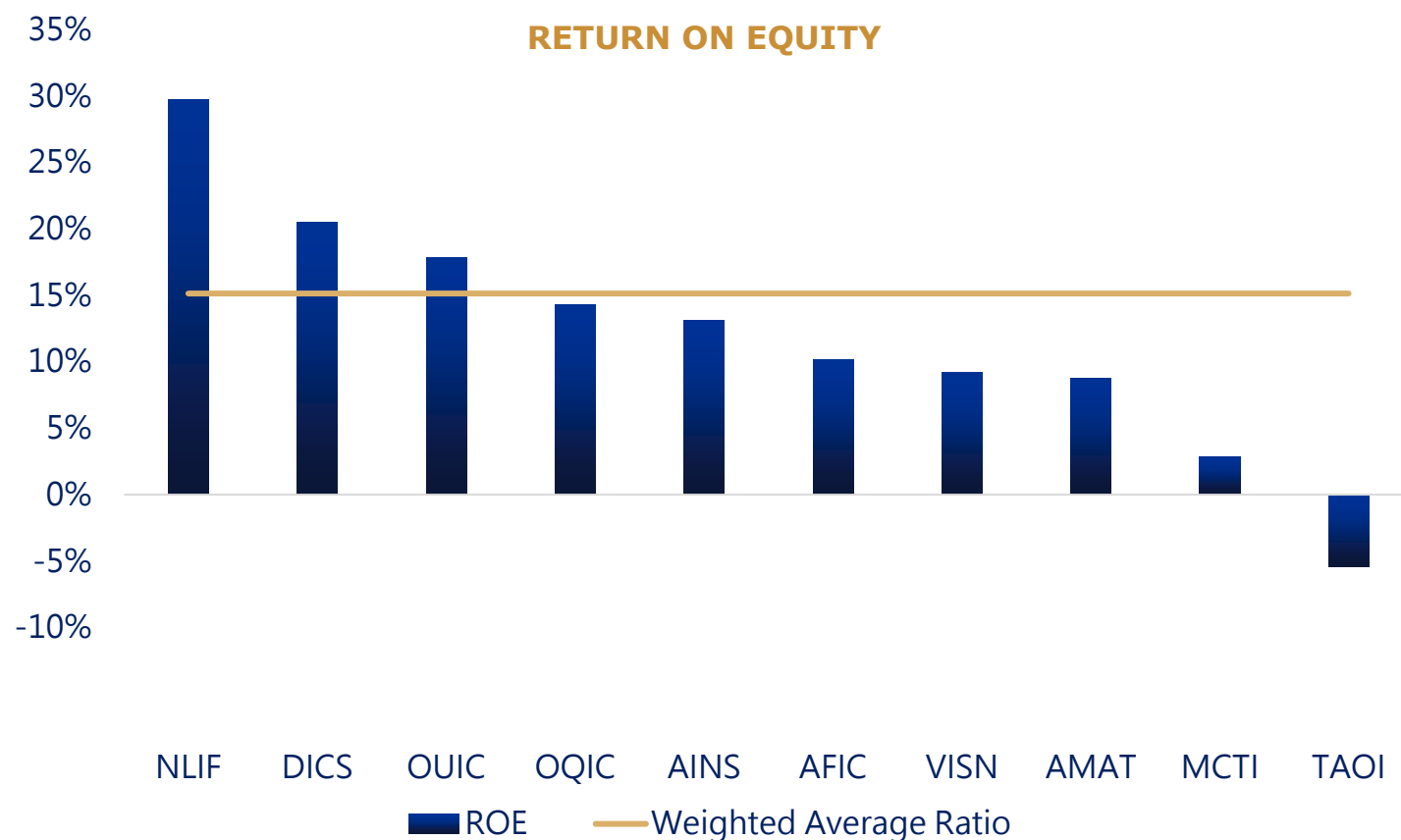
The highest commission expense ratio recorded for the year 2020 is for AFIC at 16% while VISN experienced the lowest ratio of -32%. The average net commission ratio for the Omani Insurance Industry stood at 5%.

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 a 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; while at the same time not effecting their solvency position.

Commission ratios are calculated as a Net Commissions upon Net Earned Premium.

## Return on Equity

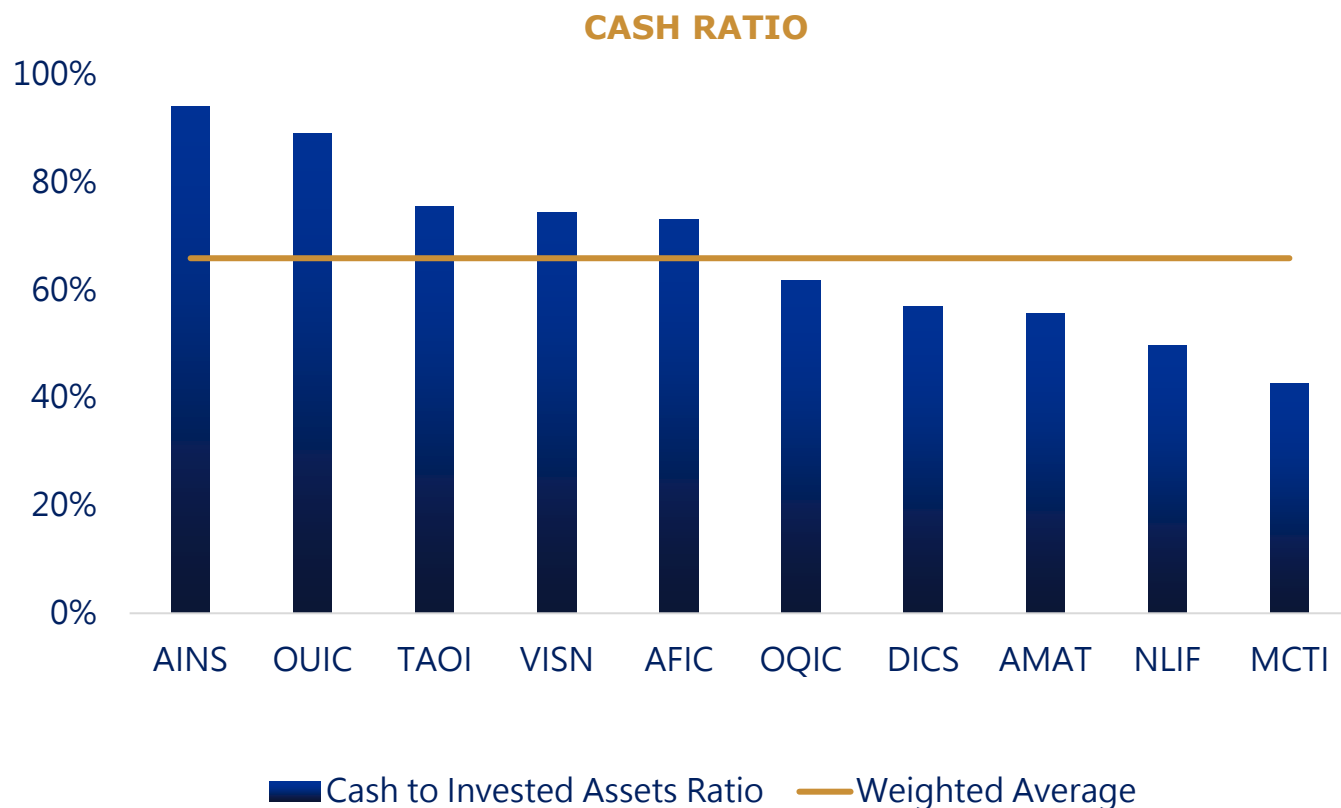


The weighted average Return on Equity (ROE) for the Insurance companies in Oman recorded to be 15%. NLIF has the highest return on equity of about 30% whereas TAOI has recorded the lowest return of -5%.

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



## Cash To Invested Assets



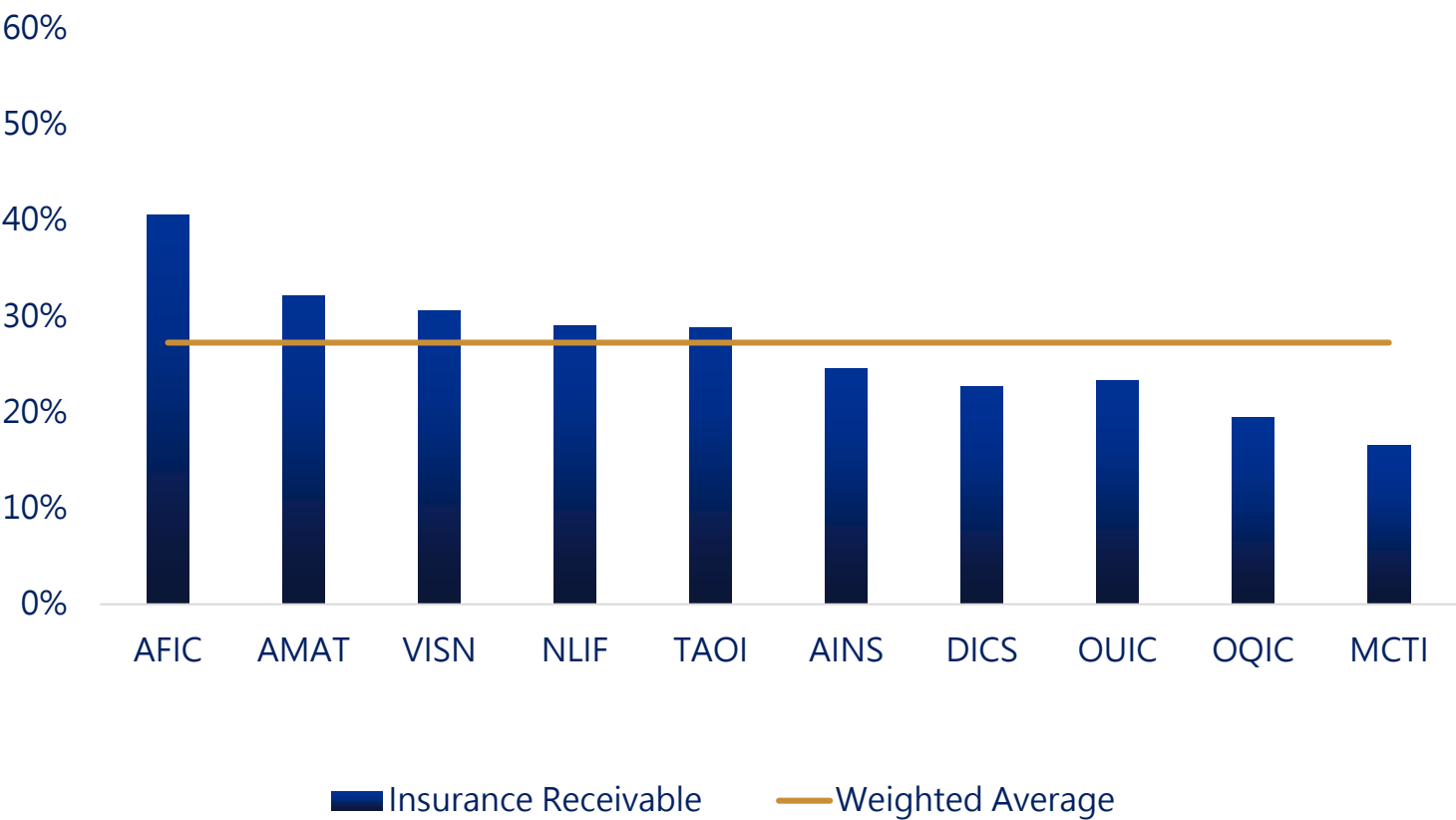
The Cash ratio of the industry works out to 66%. AINS has the highest level of 94% maintained as Cash, while the lowest ratio of 43% is produced by MCTI.

The Cash Ratio indicates very high liquidity for the market as a whole. Since majority of the business for all companies except NLIF is concentrated in short-tailed Non-life segment, the high liquidity is to be expected.

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

# Insurance Receivables

## INSURANCE RECEIVABLES



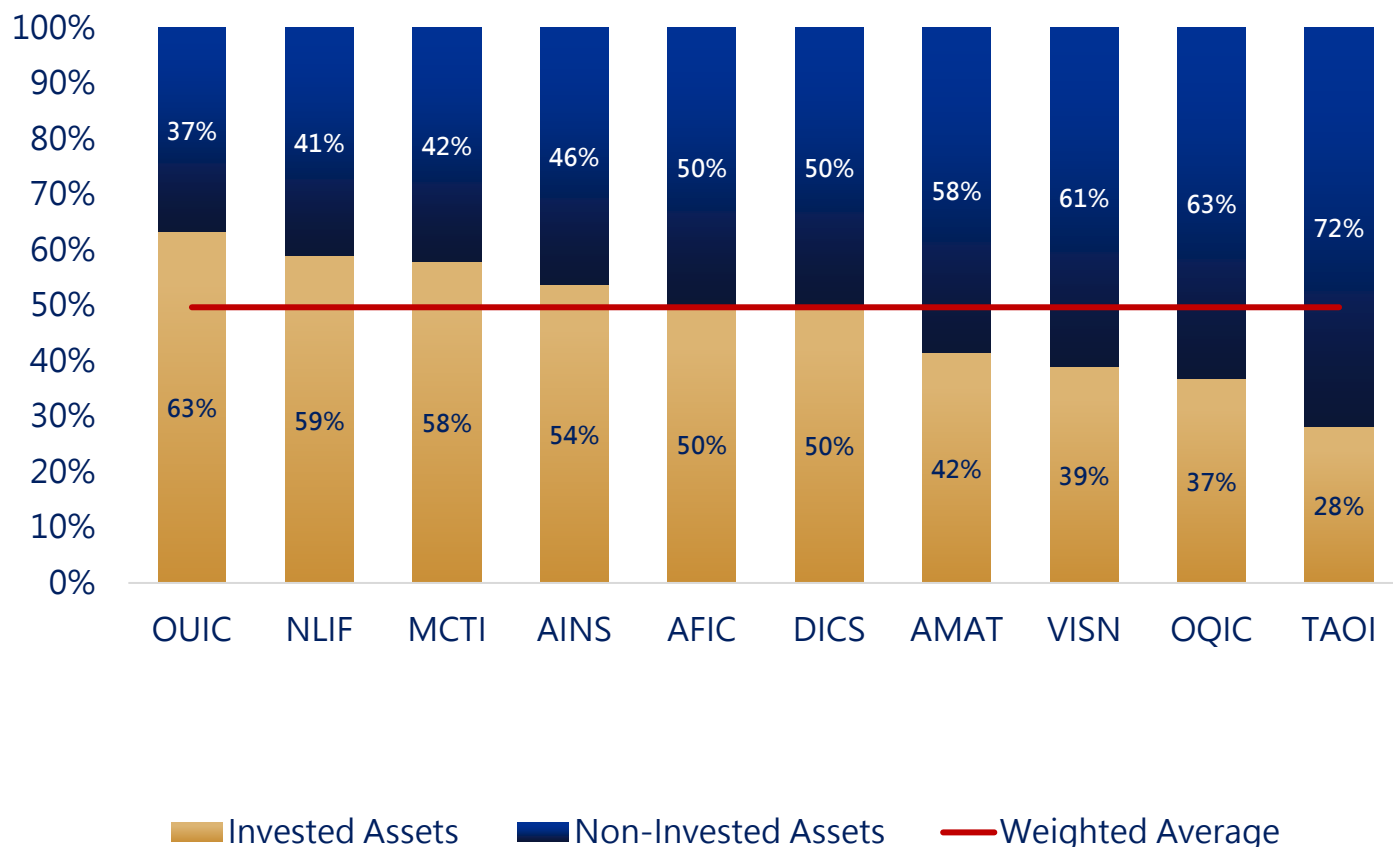
The insurance receivables are computed as a ratio of Insurance receivables of the company to gross written premium recorded over the last 12 months.

AFIC has the highest receivable ratio of about 41%, while MCTI recorded the lowest ratio of 17%. The weighted average insurance receivables ratio for the Omani industry stood at 33% as at December 31, 2019 and has since declined 27% as at December 31, 2020.



## Asset Mix

### Asset Mix



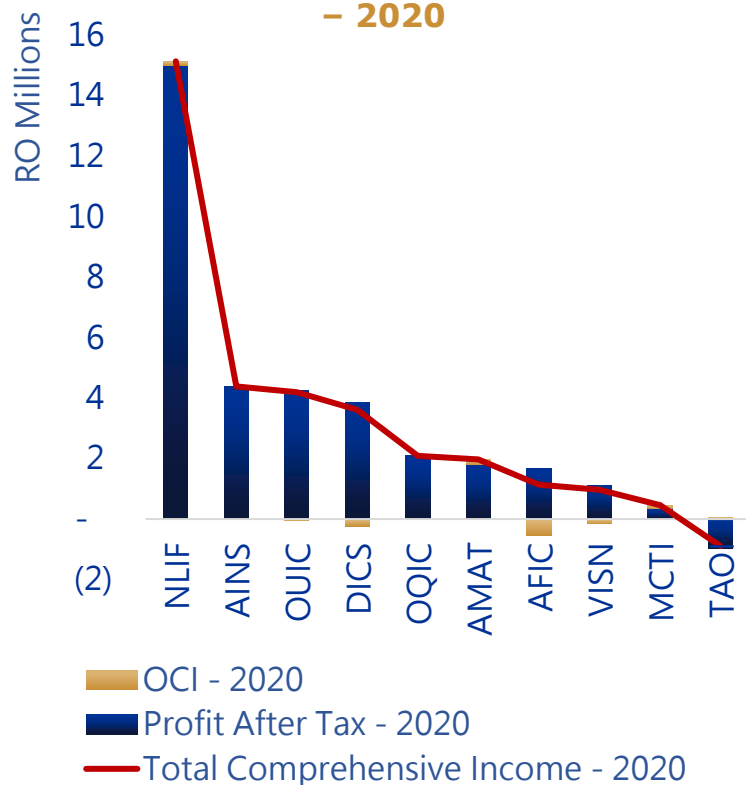
The Asset Mix compares the proportion of invested assets and non invested assets (such as insurance & reinsurance receivables) of the companies in Oman insurance industry as at December 31, 2020. OUIC has the highest proportion (63%) of invested assets, followed by NLIF having 59% of its assets invested. Whereas TAOI has the lowest proportion of assets invested at 28%. The weighted average of invested assets to non invested assets has been computed as 50%.

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



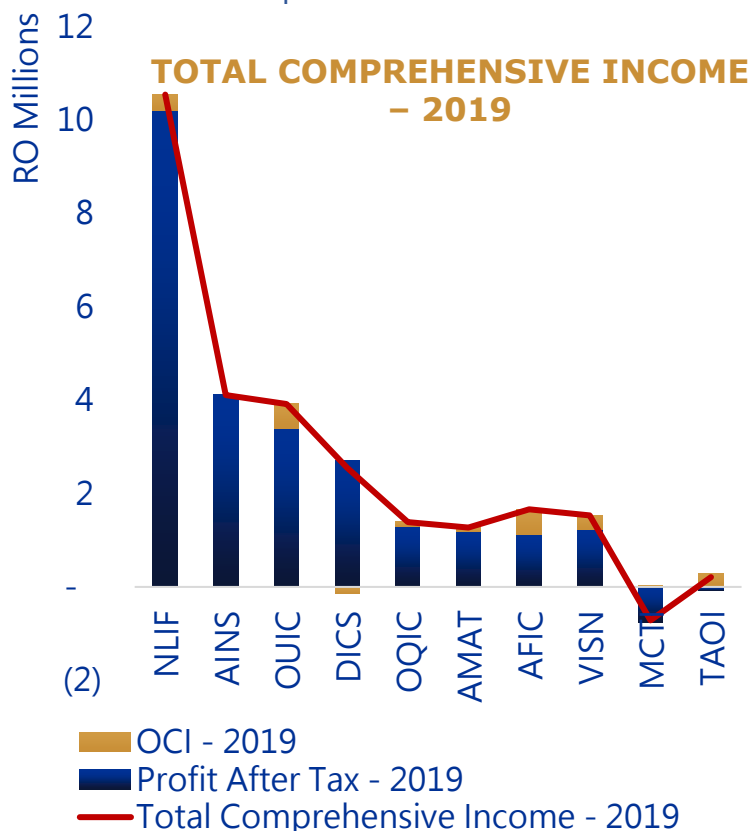
## Total Comprehensive Income

### TOTAL COMPREHENSIVE INCOME - 2020



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 the financial year of 2020 has exhibited an increase of 25%. This increase is mainly due to exceptional growth in profits after tax displayed by NLIF, and ironically NLIF have also recorded the highest deterioration in Other comprehensive income when compared with 2019. Nonetheless, the growth percentage of Total Comprehensive Income drops to 13% (from 25%) if NLIF is excluded.



Only 7 (out of 10) companies segregated their OCI in their financial statements, 6 out of those 7 recorded losses in the fair value of their investments for 2020. It is observed that OCI for companies on an aggregate level has declined by 256% in the financial year of 2020 when compared 2019.

## Conclusion

The aftershock of the COVID-19 pandemic resulted in the 4% decline in topline for the listed insurance companies in Oman for year of 2020 as compared to 2019. The total premiums written in this period amounted to be RO 386 million as compared to RO 403 million of premiums written in 2019. Some of the main drivers of this decrease are reducing motor premium in the market along with reduced car sales, and reduced economic activities such as tourism.

The average premium retention ratio stood at 57% for 2020. (Life business retention ratio: 68% and Non-Life business: 47%). This ratio is somewhat consistent with the previous year.

The average loss ratio for the listed companies analyzed in the report stood at 63% and average combined ratio was at 90%. The average combined ratio for Takaful and Conventional insurers was evaluated to be 103% and 89% respectively, despite Takaful companies on average having lower loss ratios; their high expense ratios elevates the combined ratio near 100%.

The profits recorded for the year 2020 observed a growth of 36% when compared with 2019; this increase is a result of movement restrictions due to the pandemic leading to lower frequency of accidents. Total Profit by the listed insurance companies for the year amounted to almost RO 39 million compared to RO 29 million recorded in the previous year. The profit growth of 36% drops to 27% if the exceptional growth of NLIF is excluded.



## Looking Forward

As a result of the COVID-19 crisis, the motor tariffs have dropped significantly in the market to levels that may not be sustainable once the normal traffic resumes. Underwriting is expected to gain importance going forward with an increasing need for a pricing mechanism in place.

The pandemic has changed the marketplace significantly. Online distribution channels are gaining increasing importance. During mid-2020, the first insurance aggregator platform of Oman was launched (Bima). We expect to see more such services in 2021 as the industry reacclimates post-pandemic.

Further, there is an increased focus towards digitization of claims processes and move towards Insurtech.

The move towards mandatory health insurance in the upcoming years is anticipated to lead to significant growth in health insurance market and its premiums.

The region has seen quite a lot of activity on the mergers and acquisition side in the financial services industry over the recent years, including in the insurance market. That being said, there are still some small players and the growing competition and move towards economies of scale on digitization initiatives and compliance requirements, we foresee some more consolidation in this market.

## 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 2020. The data has been extracted from financial statements of those companies which were publicly listed.

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Due to availability of 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
Arab Falcon Insurance Company	AFIC
Dhofar Insurance	DICS
Muscat Insurance	MCTI
National Life & General Insurance	NLIF
Oman Insurance Company	OUIC
Oman Qatar Insurance Company	OQIC
Takaful Oman Insurance	TAOI
Vision Insurance Company	VISN



# BADRI

## ABOUT OUR TEAM

UAE/Oman  
Actuarial

32 STAFF

KSA  
Actuarial

22 STAFF

Medical

4 STAFF

Business  
Intelligence

9 STAFF

End of Service

6 STAFF

HR Consulting

1 STAFF

14 SUPPORT AND ADMIN STAFF

TOTAL STRENGTH = 88



# CONTACT US!



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**Subhan Naeem**



**Eesha Ansari**



**Maha Ansari**

## FEEDBACK

Badri Management Consultancy is proud to present the Oman Insurance Industry Analysis for the year ended 2020. 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.

## GET IN TOUCH WITH US!



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