

Omani Listed Insurance Companies Performance Analysis

**For First Quarter
Ended 2022**

Date: July 04, 2022



BADRI KSA receives license approval by SAMA

We are pleased to announce that Badri for Actuarial Services is now licensed by the Saudi Central Bank (SAMA) to provide actuarial services within the Kingdom of Saudi Arabia.

Through our new office in Riyadh, we very much look forward to continuing our investment in the development of Saudi actuarial talent, the insurance sector and extending our values of partnership to the insurance industry across the Kingdom.





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 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 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.

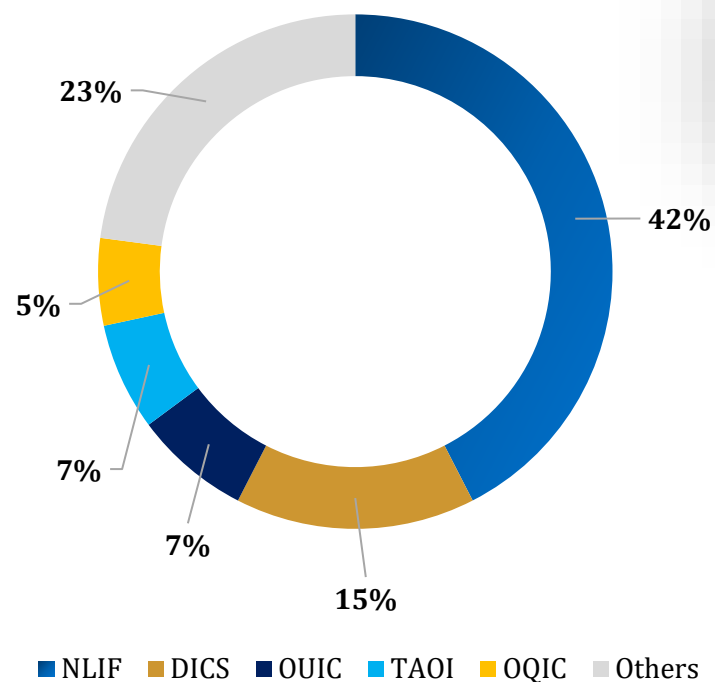


TABLE OF CONTENTS

6	Highlights from Q1-2022
7	Premiums
10	Profits
15	Loss Ratio
16	Total Comprehensive Income
17	Net Profit Breakdown
18	Conclusion
19	Disclaimer & Others

Highlights From Q1-2022 Report

Market Share



Business Written

RO 146 million
Q1-2021: RO 133 million

Retention Ratio

58%
Q1-2021: 58%

Profit

RO 9.9 million
Q1-2021: RO 9.0 million

Loss Ratio

68%
Q1-2021: 65%

Highest Growth in GWP recorded by DICS at 37%

Highest Growth in Profit by VISN at 302%

Highest GWP recorded by NLIF at RO 62 million

Highest Net Earned Premium Growth by OQIC at 34%

Highest Retention by NLIF at 86%

Gross Written Premiums

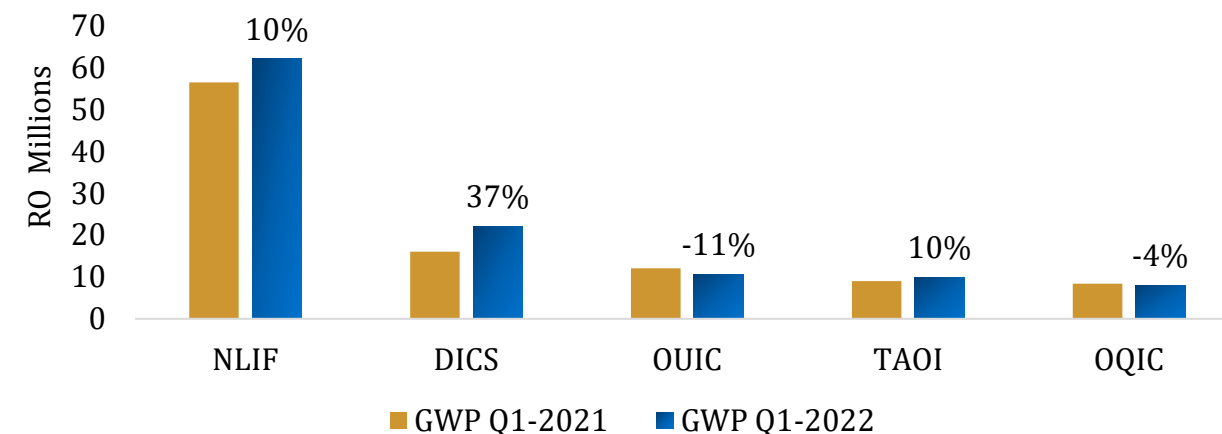
For the first quarter of 2022, the insurance companies in the Sultanate saw an increase of 10% in overall written business as compared to the first quarter of 2021. The gross written premium for the period stands at RO 146 million (Q1-2021: RO 133 million). All companies except OUIC and OQIC observed an increase in premiums when compared to last year.

The TOP 5 insurers in terms of GWP amounted to RO 113 million which amounts to 77% of the overall market.

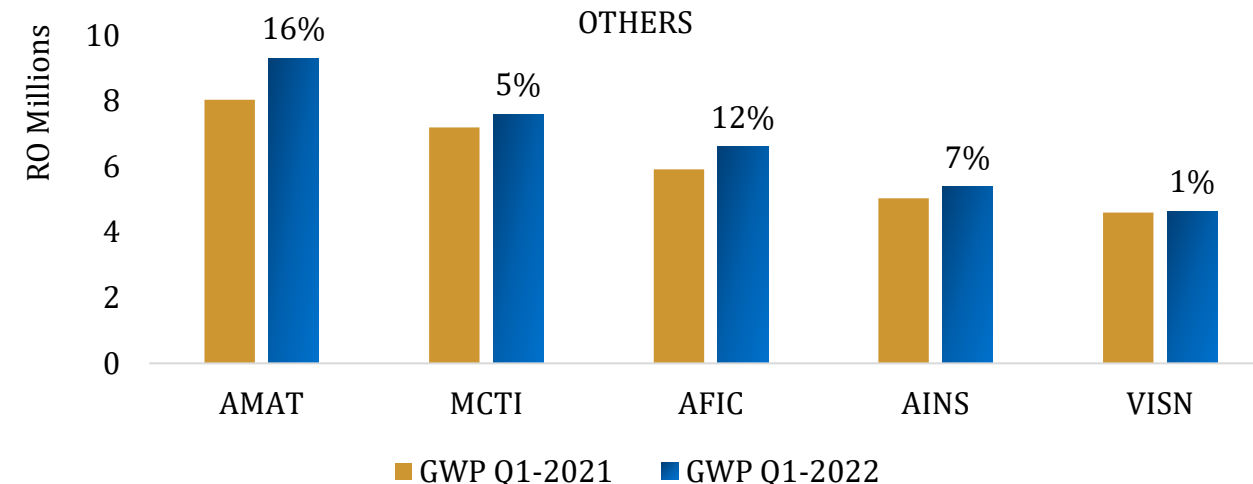
NLIF being the market leader makes up 42% of the overall market with its premium being RO 62 million. However, this includes RO 34 million from overseas subsidiaries which is about 55% of their total business. Since only the consolidated numbers are reported, we have used the consolidated financial statements.

DICS exhibited the highest GWP growth rate of 37% driven by their non-Life portfolio, while OUIC observed the largest decline of 11% resulting from a decrease in both Life and non-Life business.

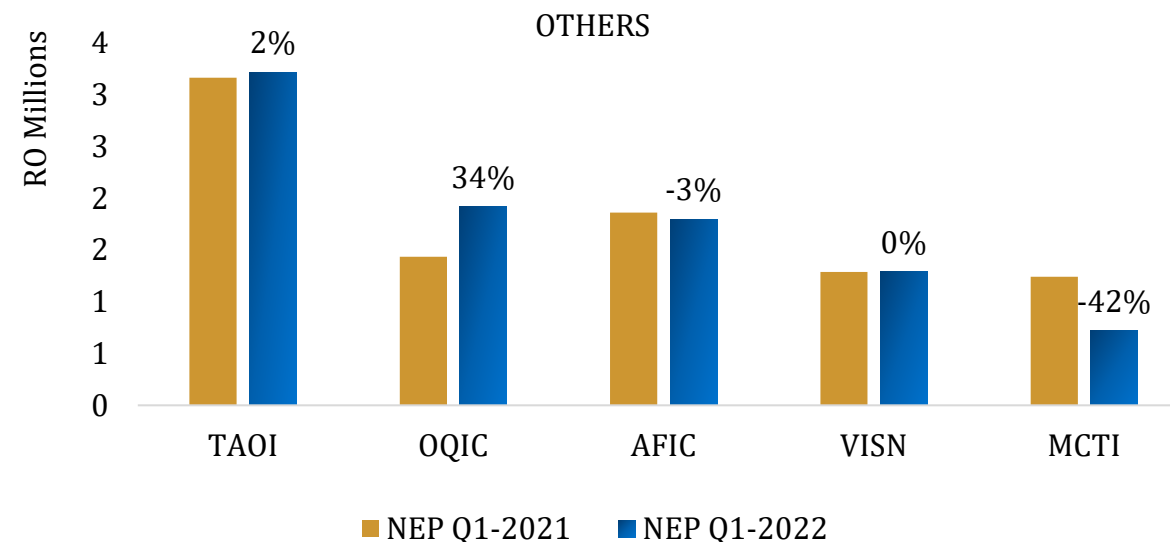
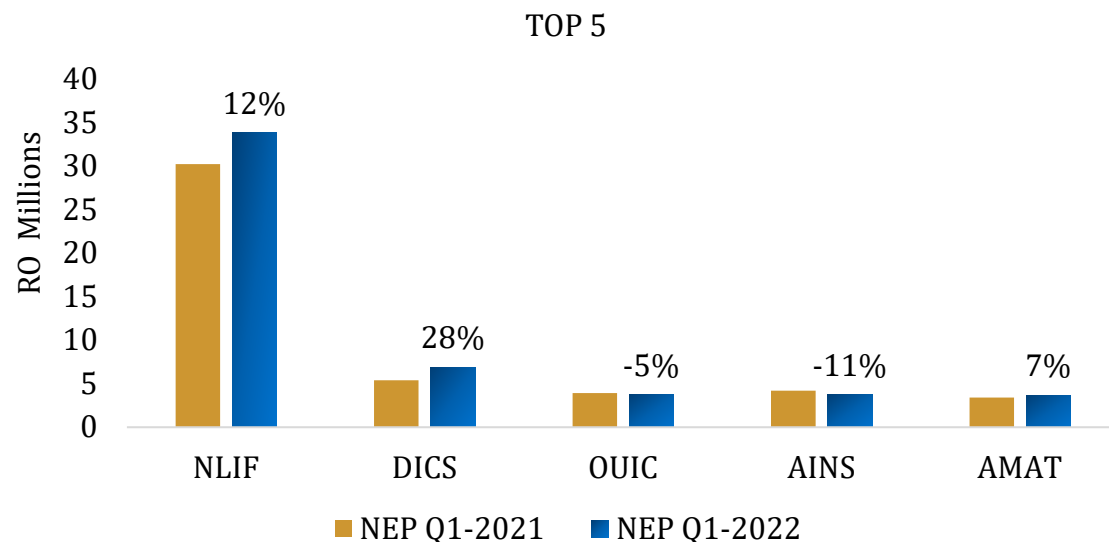
TOP 5



OTHERS



Net Earned Premium



The overall net premium earned by the insurance sector during the first quarter of 2022 amounts to RO 61 million which shows an 8% increase as compared to the previous year (Q1-2021: RO 56 million).

The net earned premiums of top 5 companies accumulates to RO 52 million, contributing 56% of the market share in Q1-2022. (Q1-2021 : RO 47 million; 54%)

Consistent with GWP, NLIF is the market leader in terms of recording highest NEP of RO 34 million, this includes RO 16 million which is earned within Oman.

As depicted, OQIC exhibited a growth of about 34% while MCTI experienced the biggest decline in net earned premium of negative 42% when compared with the corresponding period of 2021.

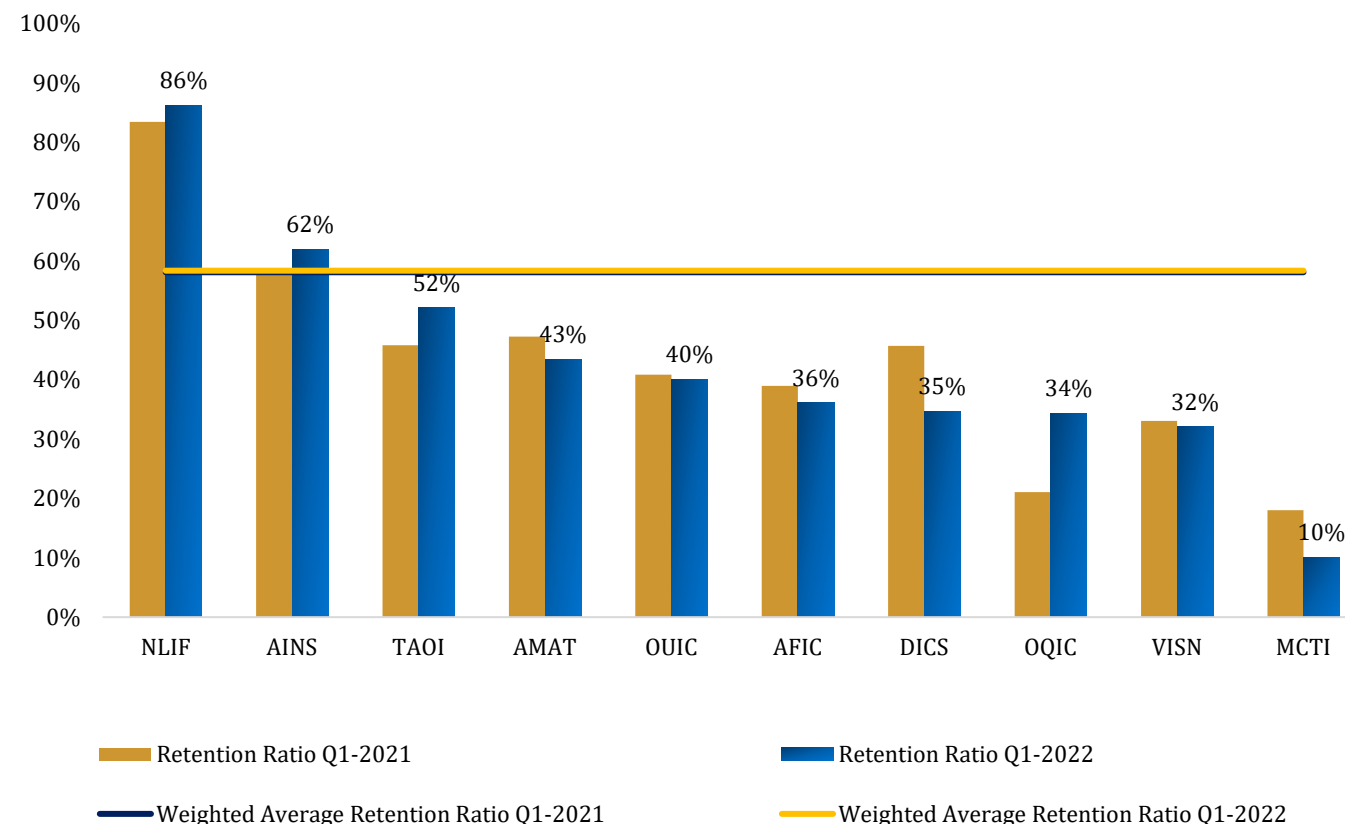
Retention Ratio

The retention ratio has been calculated as a ratio of net written premium to gross written premium. The graphs are sorted in descending order of retention ratio.

The weighted average retention ratio for the Insurance sector in the Sultanate stood at 58% for the Q1-2022 which is consistent to last year. NLIF reflects the highest retention 86% among the listed companies while MCTI depicts the lowest retention of 10%.

Although there may be exceptions, Retention ratios are generally reflective of the 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 retentions. Further, since this analysis does not segregate life and non-life business, the companies writing higher volumes of life, especially IL and PA, would also tend to show higher retention levels.

RETENTION RATIO



Profit Before Tax

The overall profit recorded by the Insurance companies in the Sultanate of Oman amounted to RO 9.9 million for Q1-2022 which is a 10% increase from previous year (Q1-2021: RO 9 million).

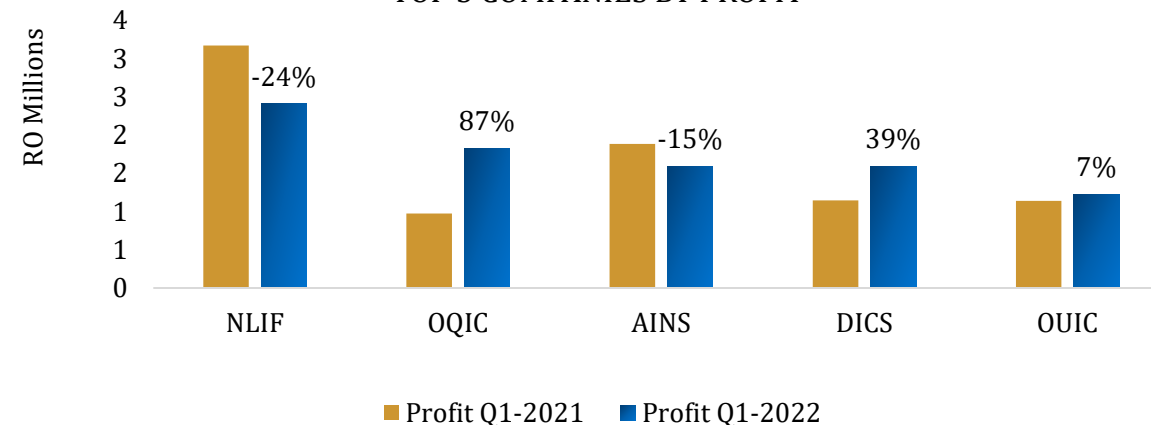
If NLIF is excluded from this analysis, the profit growth increase to 29% (from 10%) for Q1-2022.

NLIF booked the highest profit amounting to RO 2.4 million. However, this is a decrease of 24% from the previous year (Q1-2021: RO 3.2 million). NLIF share of the total profit recorded by the insurance industry amounted to 35% in Q1-2022. It should also be noted that profits from business within Oman amount to RO 0.7 million i.e. 28% of their overall profits while their overseas businesses have made a profit of RO 1.7 million.

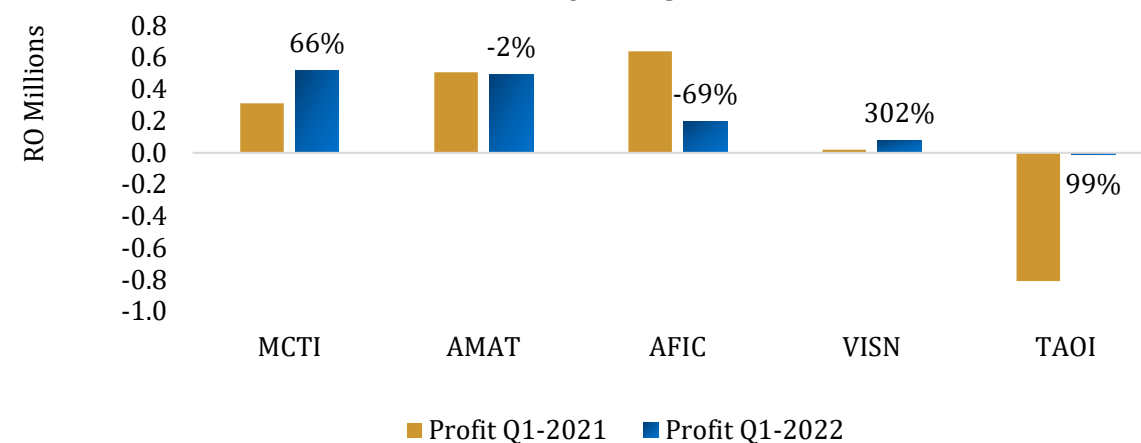
The highest profit growth was recorded by VISN of about 302% while the largest decline of 69% for the period was recorded by AFIC.

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

TOP 5 COMPANIES BY PROFIT

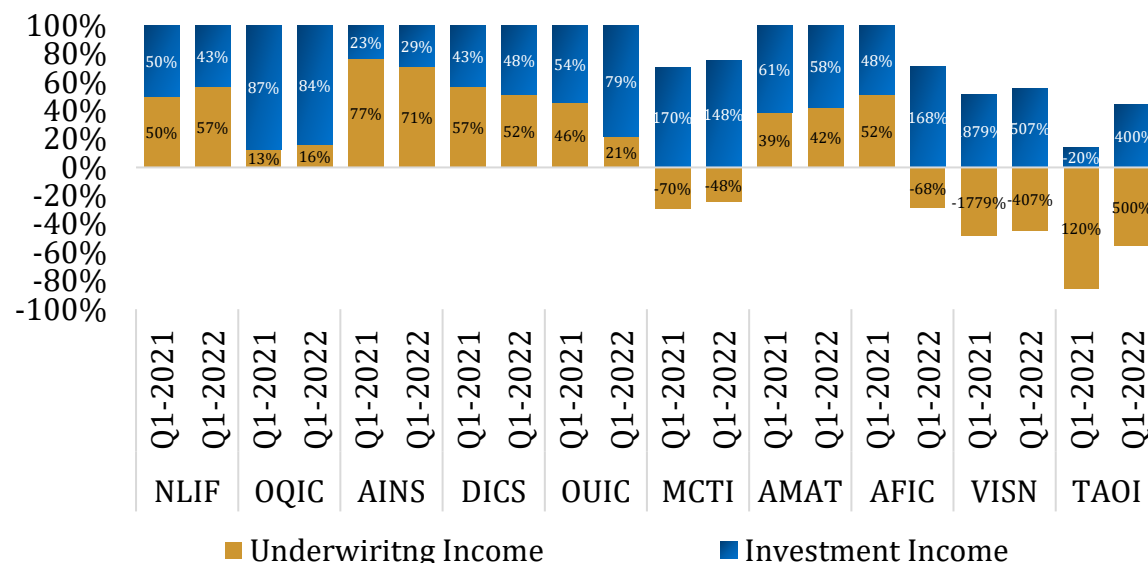


OTHERS

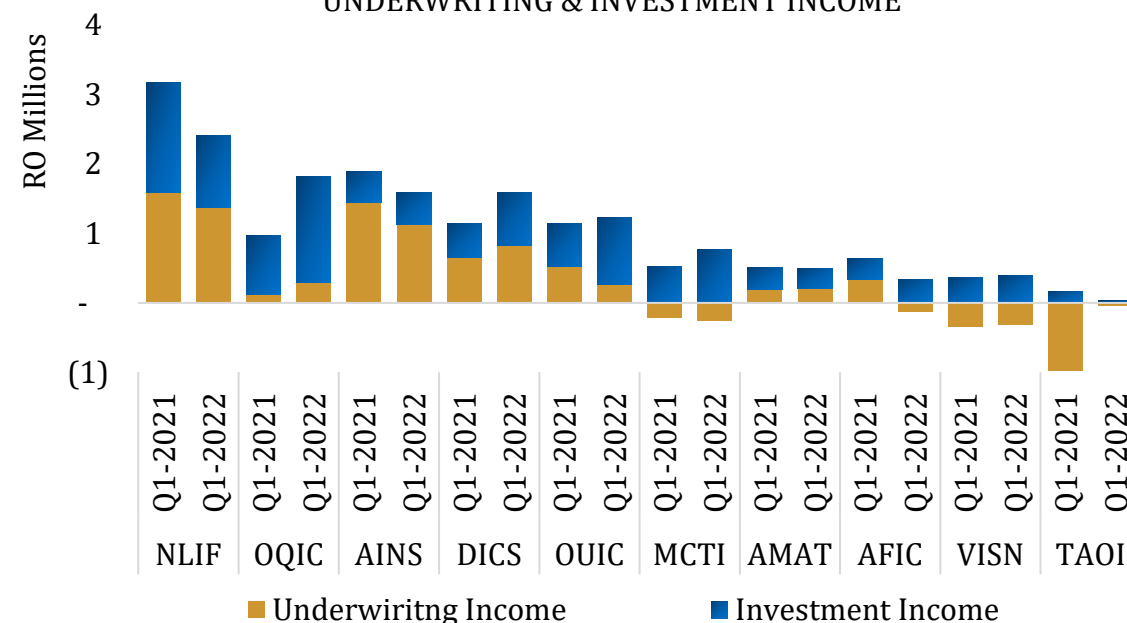


Profit Composition

PROFIT COMPOSITION - UNDERWRITING & INVESTMENT INCOME



UNDERWRITING & INVESTMENT INCOME



In this analysis, profit before tax comprises of underwriting income and investment income. The total underwriting and investment income earned for the listed companies in Oman for the period amounts to RO 3.4 million (Q1-2021: RO 3.3 million) and RO 6.6 million (Q1-2021: RO 5.7 million) respectively.

For all the listed Companies operating in Oman, it can be observed that Investment Income is a major contributor for generating profits. Three out of the four companies with underwriting losses have been able to recoup overall profits from their investment income. This shows the importance of investment income in the industry when the primary profit source of insurance companies is expected to be from underwriting.

The analysis presented here is sorted by Q1-2022 Profit.

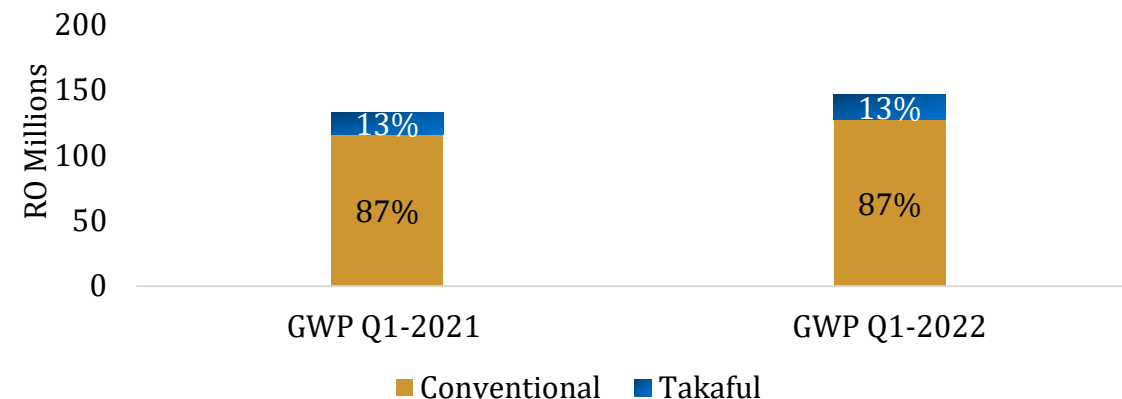
Conventional Vs Takaful

In the Sultanate of Oman, out of 10 listed insurance companies, only 2 operate as Takaful Insurers (TAOI & AMAT), contributing 13% of the total written business reflecting no change in the market composition between Q1-2021 and Q1-2022.

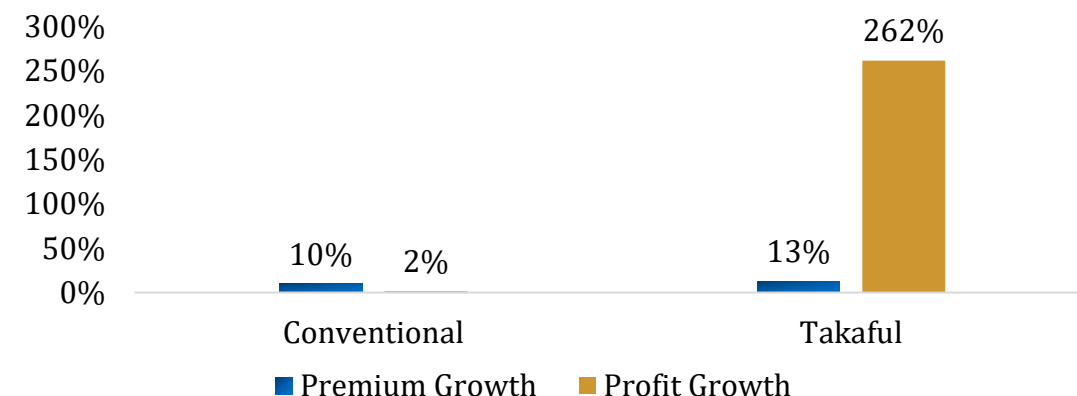
While there has been a 10% increase in premium for Conventional business, only a 2% increase is exhibited in profits. This is mainly driven by NLIF recording a 24% decline in profits.

On the Takaful front, there has been a 13% growth in premium while profits have increased by significantly (by 262%). This is due to 99% increase in profits exhibited by TAOI resulting from improvement in underwriting.

TAKAFUL & CONVENTIONAL BUSINESS DISTRIBUTION



BUSINESS GROWTH FOR CONVENTIONAL & TAKAFUL INSURERS



Premiums and Profit Analysis

A summary of premium and profitability growth during three months ended Q1-2022 from the corresponding period of the previous year is presented. Companies exhibiting premium and profitability growth rate outside of the $\pm 20\%$ and $\pm 100\%$ range are capped, respectively.

A company being in the top right quadrant indicates growth in both business volume and profits. On the other hand, being in the bottom right quadrant indicates growth in business volume but a decline in profits: this might be due to the company onboarding loss making business.

The size of the bubble represents the market share of a company.



Premiums and Profit Analysis

This table ranks the business based on gross written premium and profit before tax. The Indic column indicates whether the profit ranks above or below the premium rank.

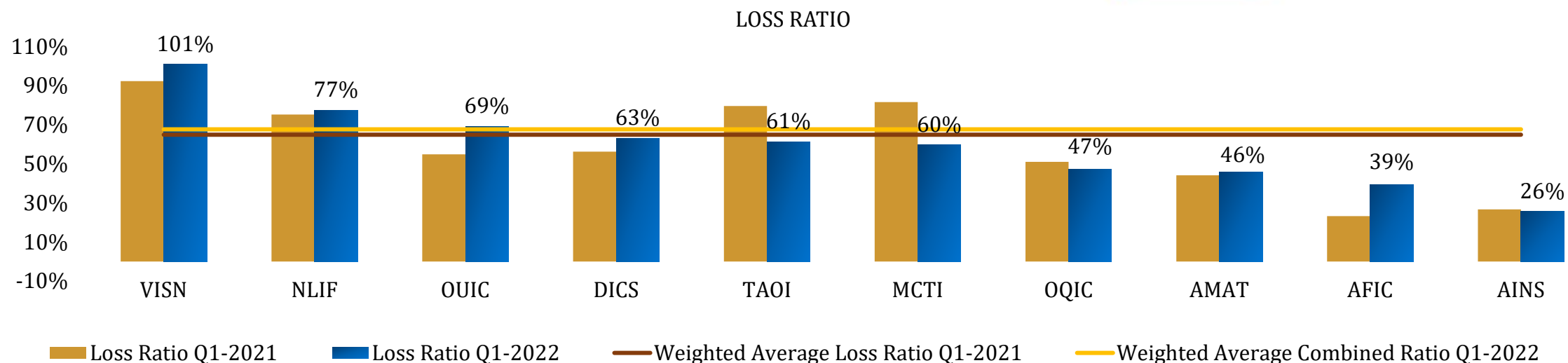
the highest rank in terms of both gross written premium and profit is maintained by NLIF.

An important observation can be made for OQIC, which despite its low premium volume, managed to generate profit that is ranked second. On the contrary, TAOI has ranked last in terms of profit despite ranking in the top 5 in terms of premium. This is due to substantial losses previously incurred by the company in their underwriting activities.

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

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

Loss Ratio Analysis



For the insurance companies in the Sultanate of Oman, the weighted average net loss ratio for the period Q1-2022 is computed to be 68% (Q1-2021: 65%).

Most of the companies have demonstrated an increase in loss ratios which can be attributed to further easing of COVID restrictions which has resulted in claims increasing at a higher rate than premiums. However, this shift has affected loss ratios to varying degrees.

VISN bears the highest loss ratio of 101% and AINS bearing the lowest loss ratio of 26%.

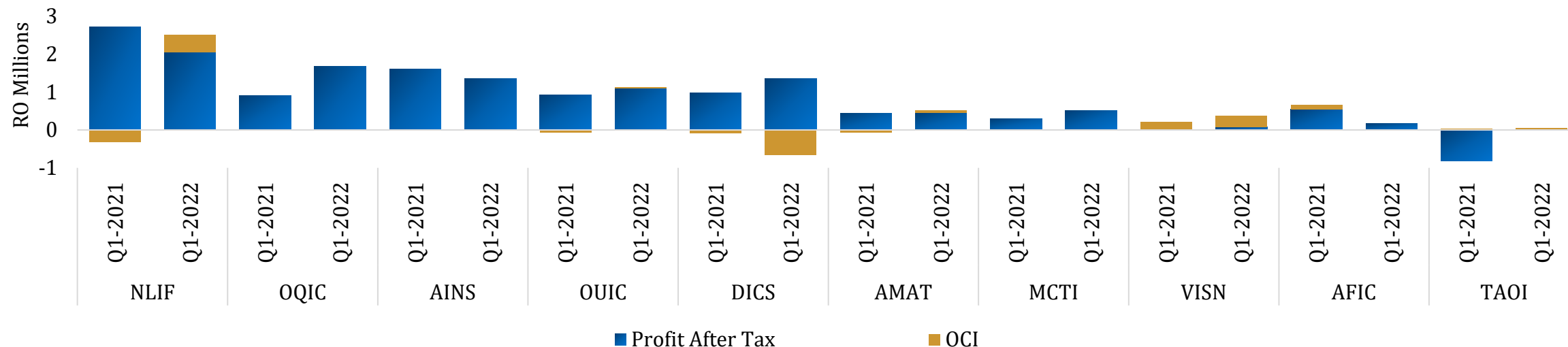
For Takaful companies we have consolidated the policyholders and shareholders P&L for comparative purposes.

Loss ratio is computed as Net Claims Incurred over Net Earned Premium

The analysis is sorted on the basis of loss ratios for Q1-2022

Total Comprehensive Income

TOTAL COMPREHENSIVE INCOME



For the period Q1-2021, the Indices of general market performance in the Stock Exchange exhibited a declining trend post the outbreak of COVID 19. However, the indices have since improved in Q1-2022 which has resulted in the realization of higher OCI overall.

The Total Comprehensive Income (Profit after Tax plus Other Comprehensive Income) for the first quarter of 2022, exhibited an increase of 21%.

For the first quarter of 2022, TAOI has negative Total Comprehensive Income which is driven down by its Profit after Tax.

Segregated information for OCI is only available for 9 (out of 10) companies. 3 out of those 9 recorded losses in OCI for Q1-2022. It is observed that OCI for companies on an aggregate level was negative in the previous year due to investment hit borne however it has since increased by 202% as the companies demonstrated recovery on investment performance.

The charts are sorted in descending order of Q1-2022 Total Comprehensive Income.



Net Profit Breakdown

Particulars	Q1-2022	Q1-2021	Variance
	RO million	RO million	RO million
Total UW Profit	3.4	3.3	0.0
Investment Income	6.6	5.7	0.9
Total Net Profit	9.9	9.0	0.9

Conclusion

The listed insurance companies in Oman wrote a combined total of RO 146 gross premium in Q1-2022 which is a 10% increase from RO 133 the previous year. As digitization and customer centricity become a focus along with the introduction of mandatory health insurance scheme, the insurance companies should expect to see further growth in the upcoming months.

As COVID restrictions continue to become a thing of the past and the insurance companies regain their footing, we observe improvement in underwriting practices. Over the previous years, an aggressive price competition was driving down the Motor premiums. While companies have moved towards improved pricing practices, the increase in claim activity exceeds the increase in premium as reflected by the weighted average loss ratio increasing to 68% in Q1-2022 from 65% in Q1-2021.

The overall underwriting income earned by the listed insurance companies amounts to RO 3.4 million in Q1-2022 (Q1-2021: RO 3.3 million) while the investment income earned during Q1-2022 amounts to RO 6.6 million (Q1-2021: RO 5.7 million). An increase in both underwriting and investment income has resulted in an increase of 10% in the overall industry profit before tax. Additionally, there has been a significant improvement in the Other Comprehensive Income.

Despite the many challenges faced in the past, the Omani insurance sector has demonstrated some noticeable improvement during this quarter as compared to previous year.



Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman for the first quarter end 2022. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.

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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.

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



About Our Team

UAE/Oman
Actuarial

30 staff

KSA
Actuarial

16 staff

Medical

9 staff

IFRS-17

11 staff

Business
Intelligence

9 staff

End of
Service

7 staff

HR
Consulting

3 staff

Support
Functions

18 staff

**Total
Strength
103**



Our Team



Hatim Maskawala



Ali Bhuriwala



Omar Khan



Maira Qadar



Eesha Ansari



Hassan Athar

Our Feedback

Badri Management Consultancy is proud to present Oman's Insurance Industry Performance analysis Q1 2022. 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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