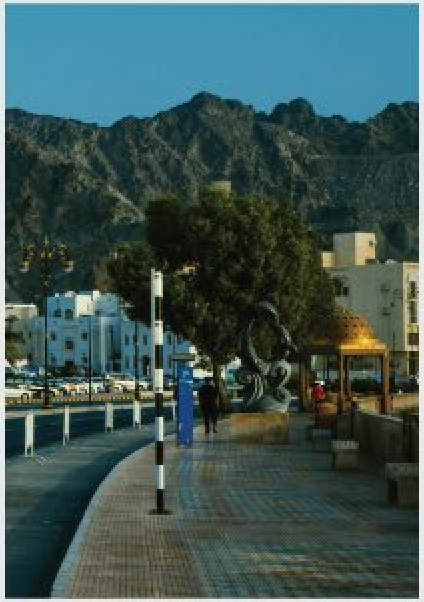




Omani Listed Insurance Companies Performance Analysis – For 2022-H1

Date: September 28, 2022

About BADRI Management Consultancy

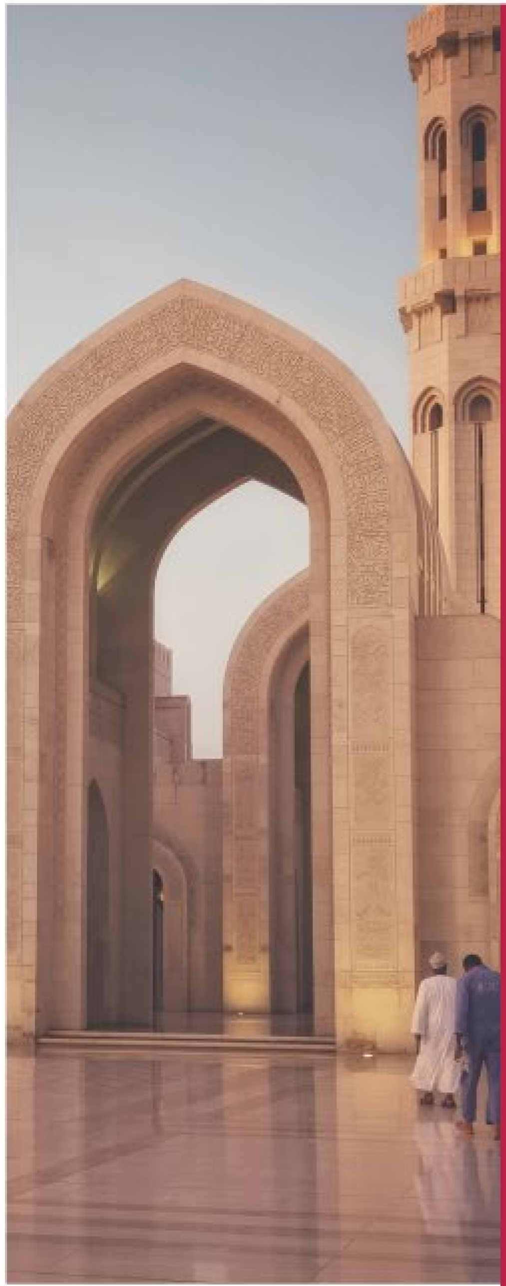
Badri Management Consultancy is the fastest growing Actuarial Consulting Firm in the Middle East, recognized for its collaborative approach to working with its clients as Profit Optimizing Partners. We are serving as Appointed Actuary for over 20 companies in the GCC. In addition, we are providing other 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 Management Consultancy is proud to have won the Strategic Partner of the Industry at the 8th Middle East Insurance Industry Awards 2021 conducted by Middle East Insurance Review.

MIIA have held a predominant position by inspiring initiatives towards Product Innovation, Corporate Social Responsibility & Long-Term Sustainability. The fact that we won this award a second time around bring fruits to the efforts we are putting in. These awards are the reflection of the trust and loyalty of our esteemed clients, and the hard work and dedication of all our people at Badri.

We have started many new trends like regular research reports and industry workshops and training with the intention of raising the level of transparency and technical expertise within the industry. We consider ourselves as solution architects strengthening our partners to optimize performance and winning this prestigious award means we are going in the right direction.

Thank you, Middle East Insurance Review and the judges, for acknowledging all the efforts put in behind the scenes.



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.

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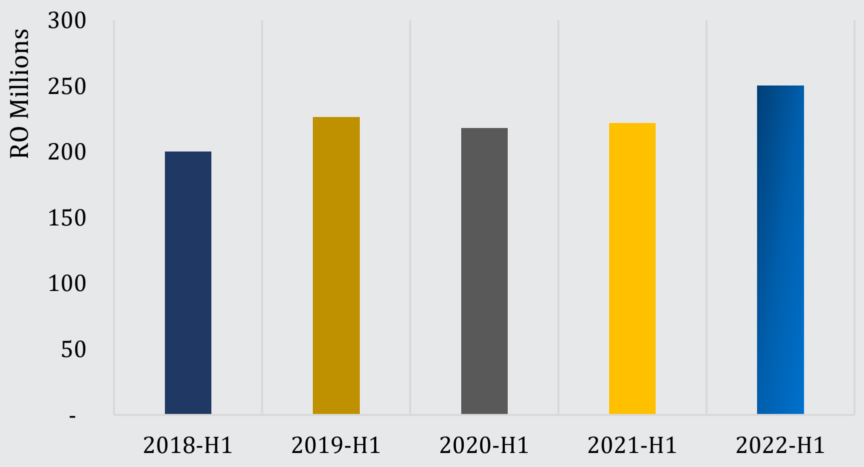
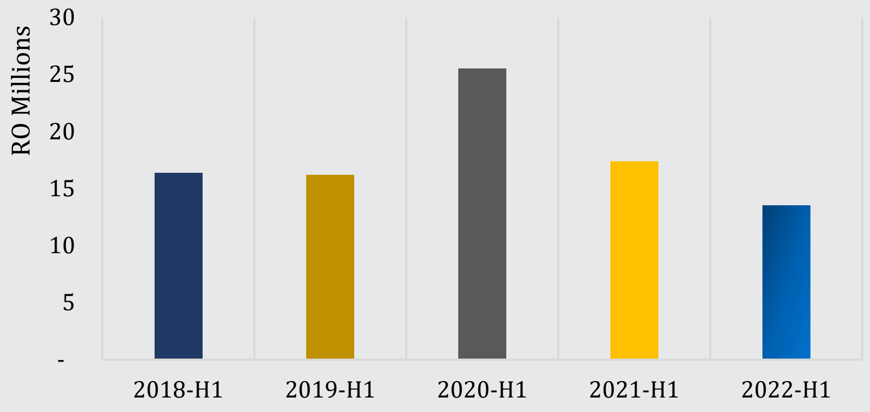
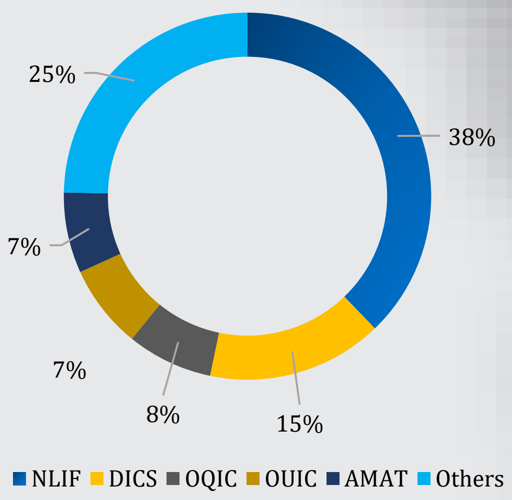


PROFIT TREND OVER 5 YEARS



MARKET SHARE



Business Written
RO 250 million
2021-H1: RO 222 million

Retention Ratio
56%
2021-H1: 57%

Profit
RO 13.5 million
2021-H1: RO 17.4 million

Loss Ratio
71%
2021-H1: 67%

Combined Ratio
98%
2021-H1: 96%

Net Technical Reserves
RO 225 million
2021-H1: RO 220 million

Return on Equity
7%
2021-H1: 11%

Highest Growth in GWP recorded by DICS at 30%

Highest Growth in Profit by VISN at 377%

Highest GWP recorded by NLIF at RO 95 million

Highest Net Earned Premium Growth by OQIC at 37%

Highest Retention by NLIF at 86%

Highest Return on Equity OQIC at 16%

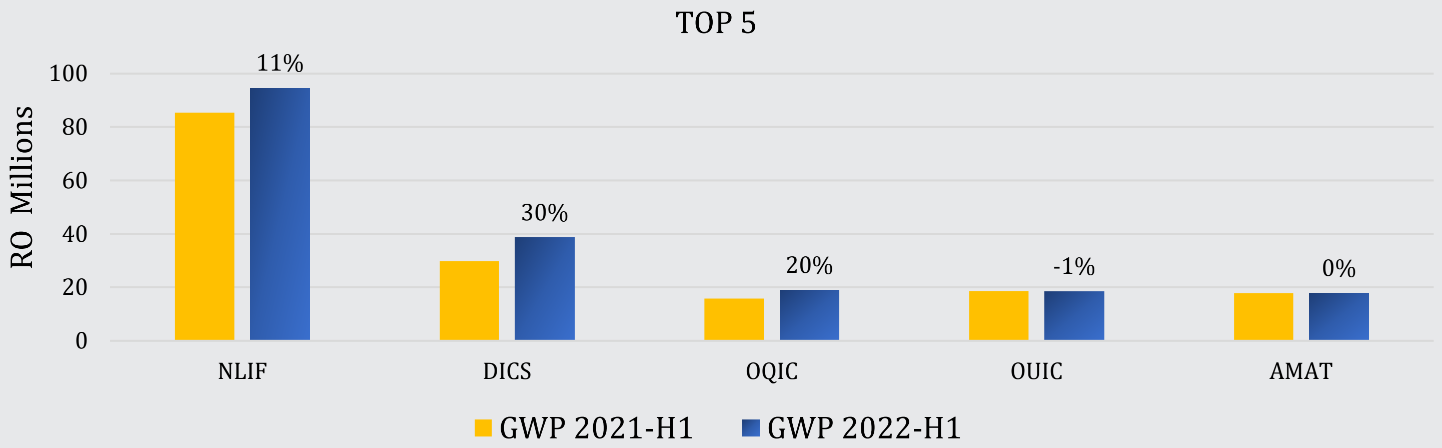
Gross Written Premiums

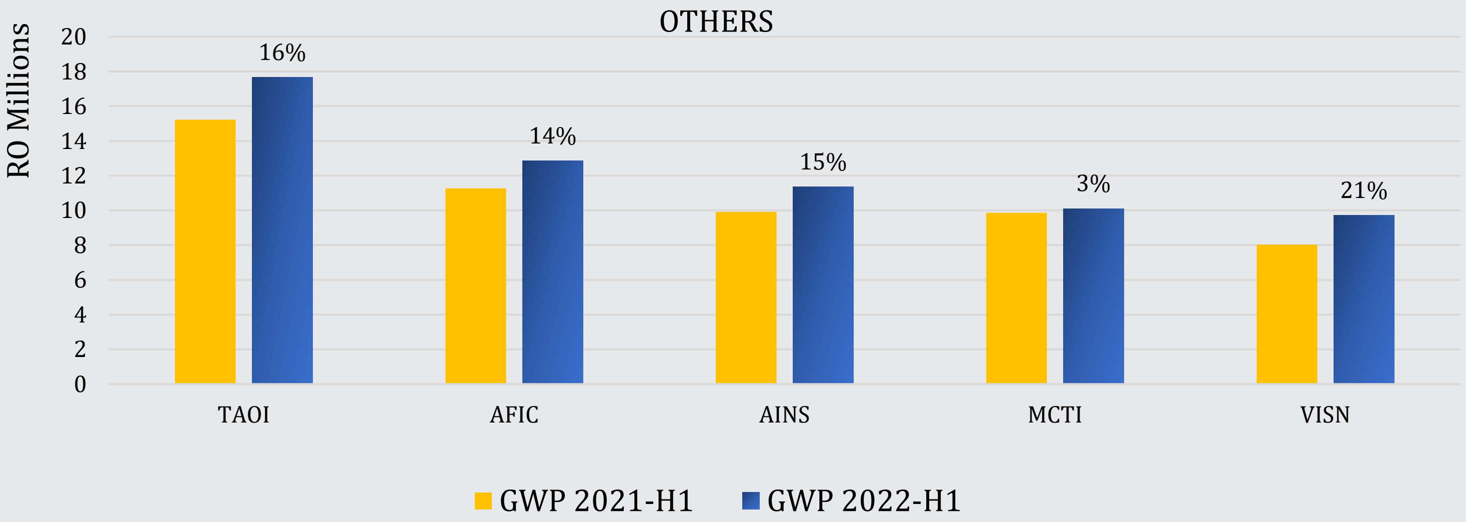
For the first half of 2022, the overall written business in Omani sultanate was recorded to be RO 250M which is a 13% increase compared to the same period previous year. (2021-H1: RO 222M). All companies experienced a growth in premiums except OUIC and AMAT which have shown a slight decrease.

The TOP 5 insurers in terms of GWP amounted to RO 188 million which amounts to three-fourth of the overall market.

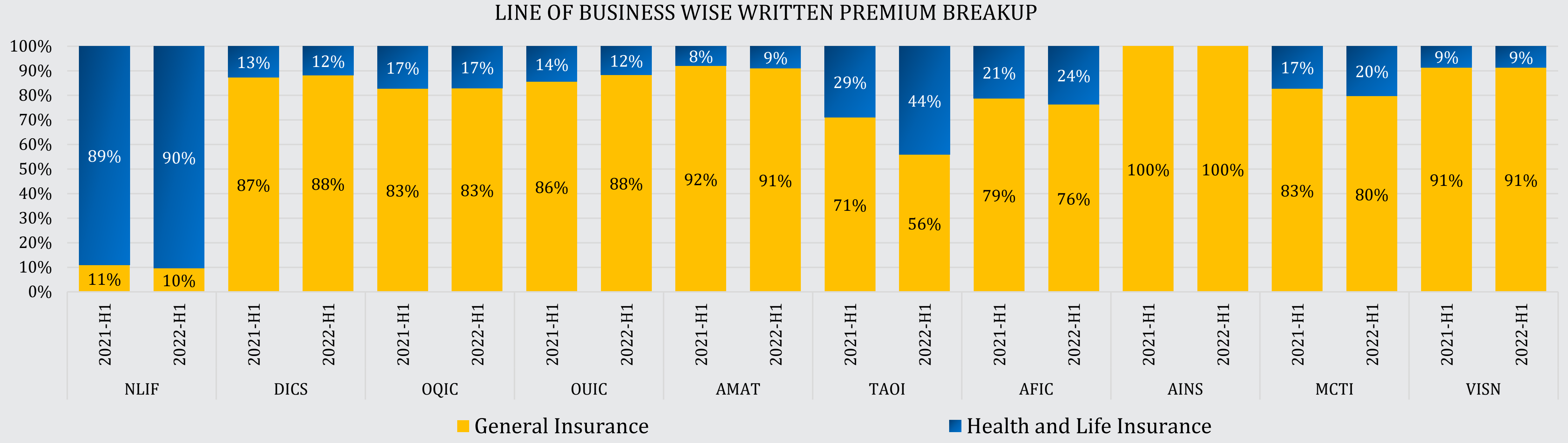
NLIF being the market leader makes up 38% of the overall market with its premium being RO 95 million. However, this includes a proportion from overseas subsidiaries. Since only the consolidated numbers are reported, we have used the consolidated financial statements.

DICS exhibited the highest GWP growth rate of 30% driven by their non-Life portfolio, while OUIC observed a decline of 1% resulting from a decrease in their Life business.





Gross Written Premiums



NLIF, which is the market leader and has the largest business volume, concentrates its business in Health and Life Insurance.

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 (2021-H1: 85%), while as a percentage of the overall market including NLIF, this works out to 56% for half year 2022 which is a slight decrease from the corresponding period of the previous year (2021-H1: 57%).

The overall Oman Insurance Industry at an overall level exhibited a 13% increase in GWP when compared to the corresponding period of 2021. This is due to both life and non-life segments having observed growths of 15% and 11% respectively.

The above graph is sorted with respect to net earned premium in descending order.

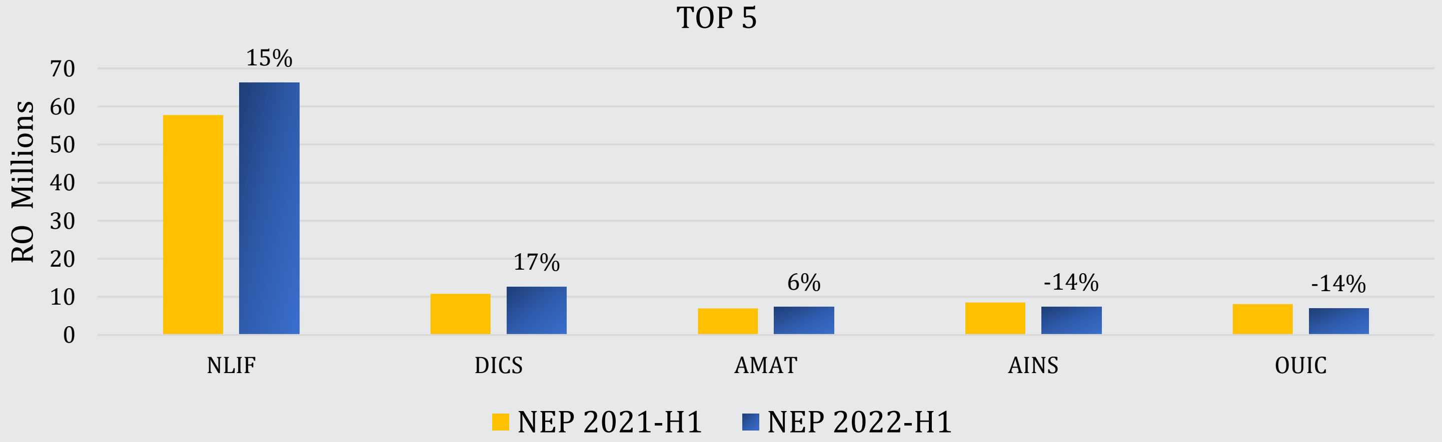
Net Earned Premiums

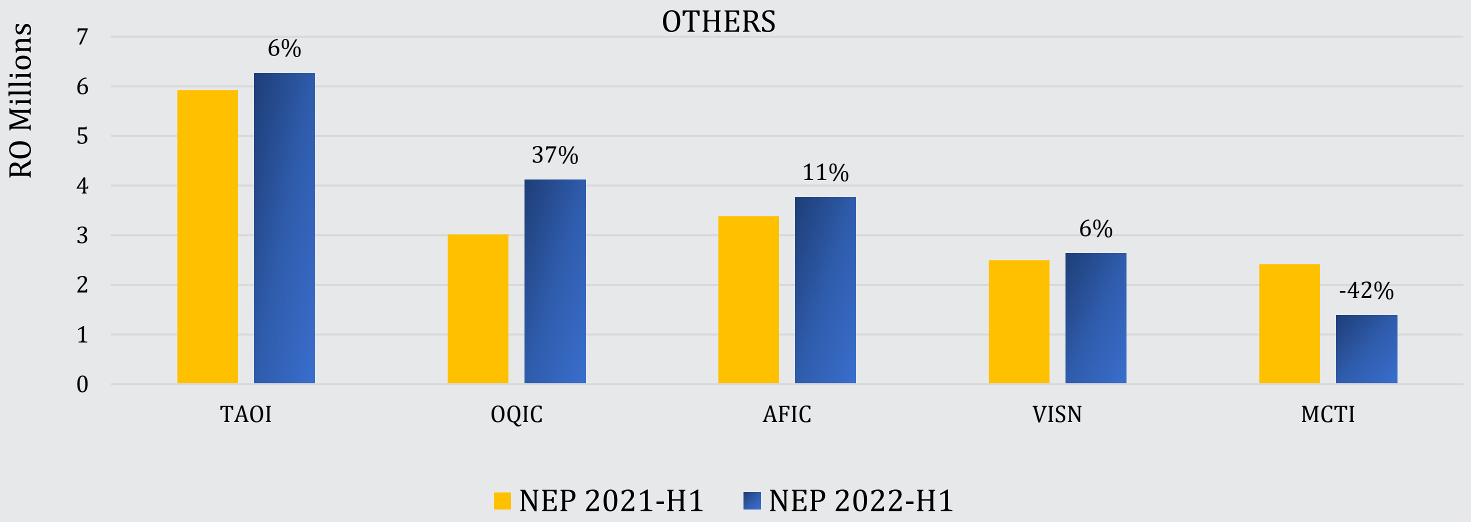
The overall net premium earned by the insurance sector during the first half of 2022 amounts to RO 119 million depicting a 9% increase as compared to the same period for the previous year (2021-H1: RO 109 million).

The cumulative net earned premium for the top 5 companies adds up to RO 101 million which is 85% of the market share in 2022-H2. (2021-H1 : RO 92 million; 84%)

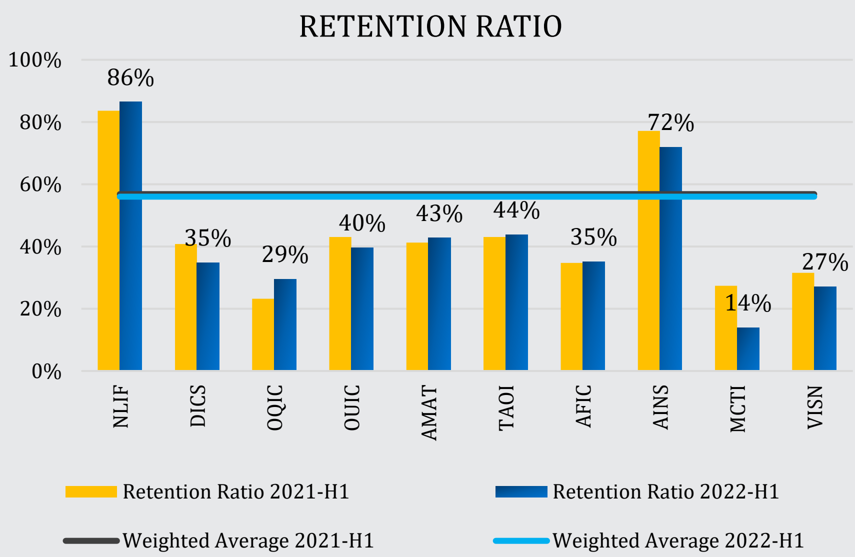
Consistent with GWP, NLIF is the market leader in terms of recording highest NEP of RO 66 million.

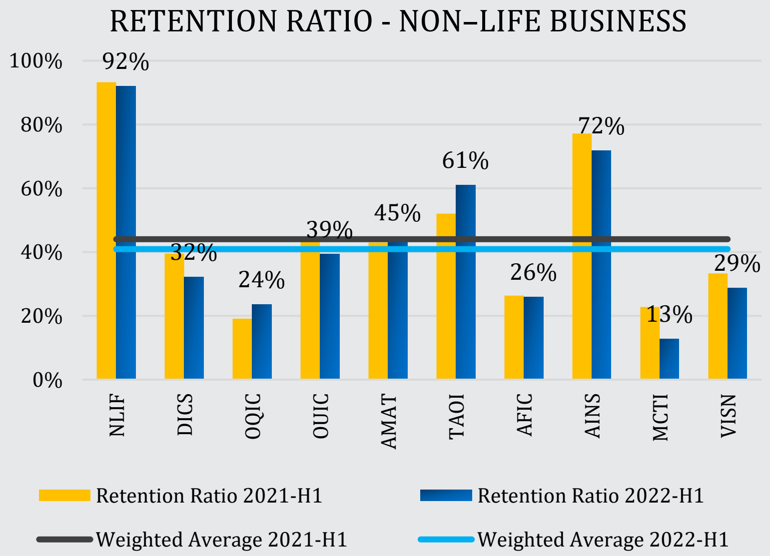
As depicted, OQIC exhibited a growth of about 37% while MCTI experienced the biggest decline in net earned premium of 42% when compared with the corresponding period of 2021.

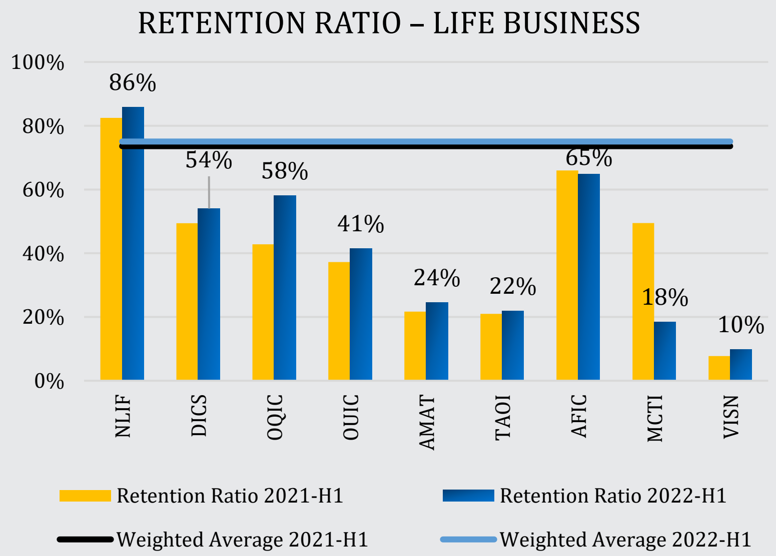




Retention Ratio







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 Gross written Premium 2022-H1.

The weighted average retention ratio for the Insurance sector overall stood at 56% for 2022-H1 (2021-H1: 57%). NLIF reflects the highest retention of 86% among the listed companies while MCTI depicts the lowest retention of 14%.

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. The companies writing higher volumes of life, especially IL and PA, would also tend to show higher retention levels.

The weighted average retention ratio for Non-Life stands at 41% for the period (2021-H1: 44%) in contrast with Life business retention ratio which is computed as 75% (2021-H1: 74%).

A further segmented analysis by line of business is not performed due to limited information being available. Life business also consist of Medical Portfolio.

Profit Before Tax

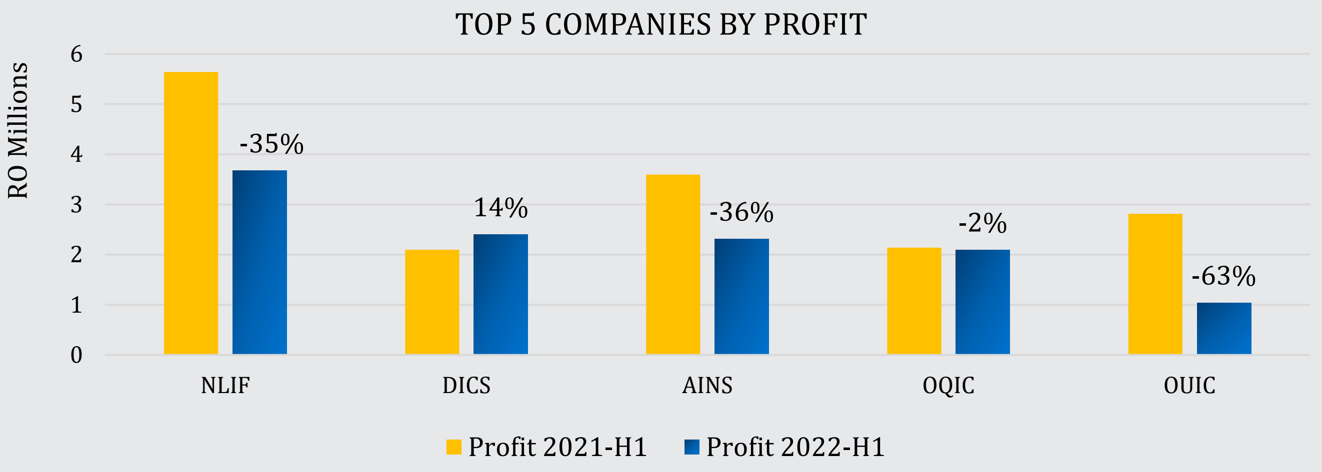
The overall profit recorded by the Insurance companies in the Sultanate of Oman amounted to RO 14 million for the first half of 2022 which is a 22% decline from the corresponding period of previous year (2021-H1: RO 17 million).

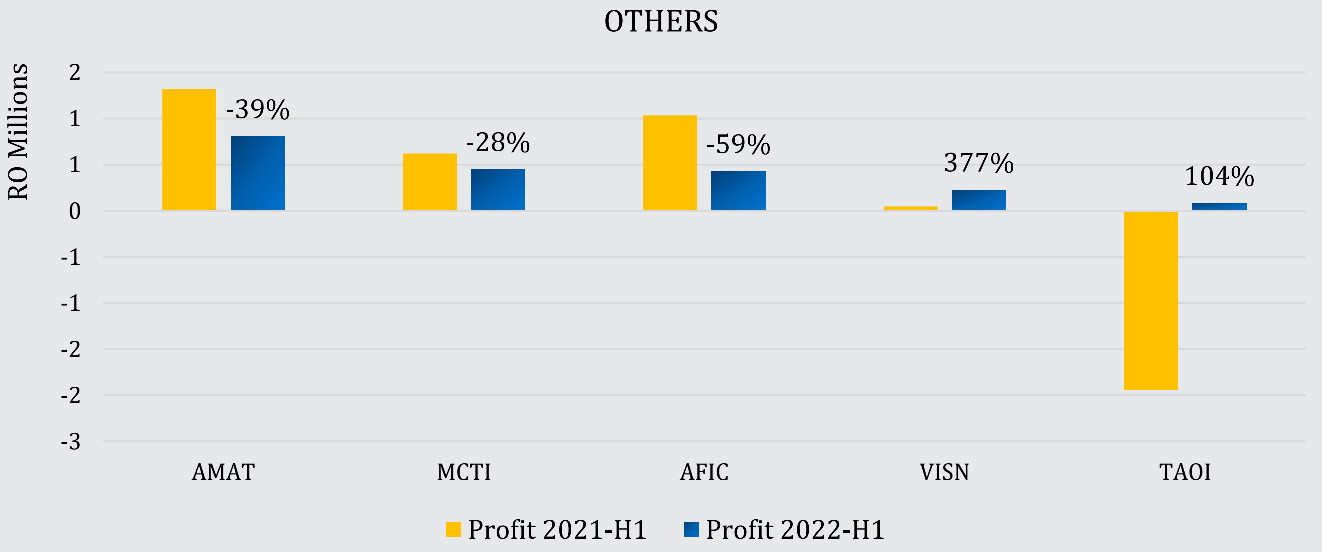
If NLIF is excluded from this analysis, the profit decline stands at -16% (from -22%) for 2022-H1.

NLIF booked the highest profit amounting to RO 4 million. However, this is a decrease of 35% from the previous year (2021-H1: RO 6 million). NLIF contributes 27% of the overall profit recorded by industry in 2022-H1. It should also be noted that majority of the NLIF profits are recorded for their overseas business. The consolidated results are presented in the financials hence a further analysis has not been done.

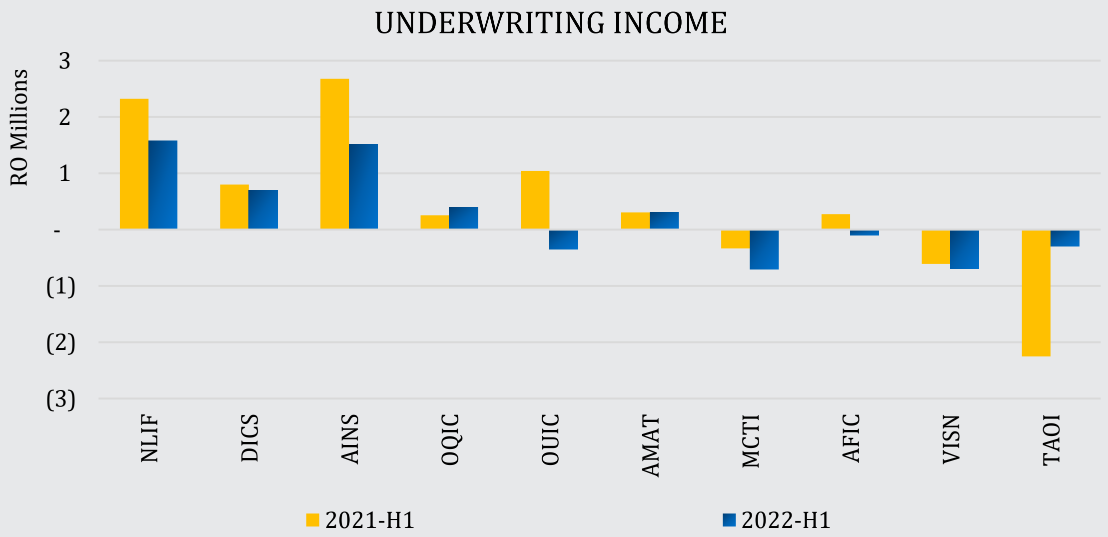
The highest profit growth was recorded by VISN of about 377% while the largest decline of 63% for the period was recorded by OUIC.

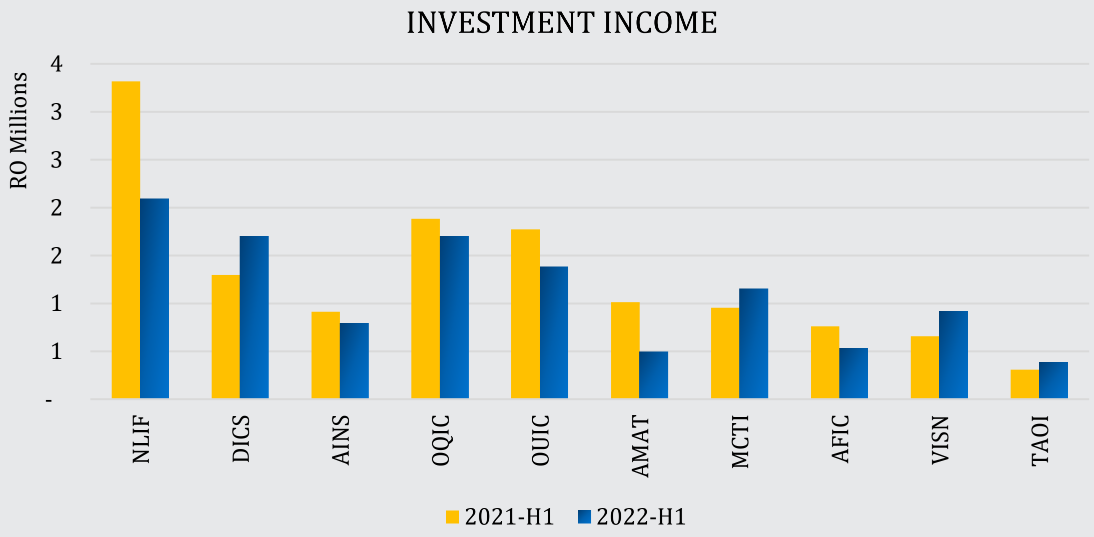
For Takaful companies, net profits before tax on policyholder and shareholder accounts are consolidated for comparative purpose.





Profit Before Tax





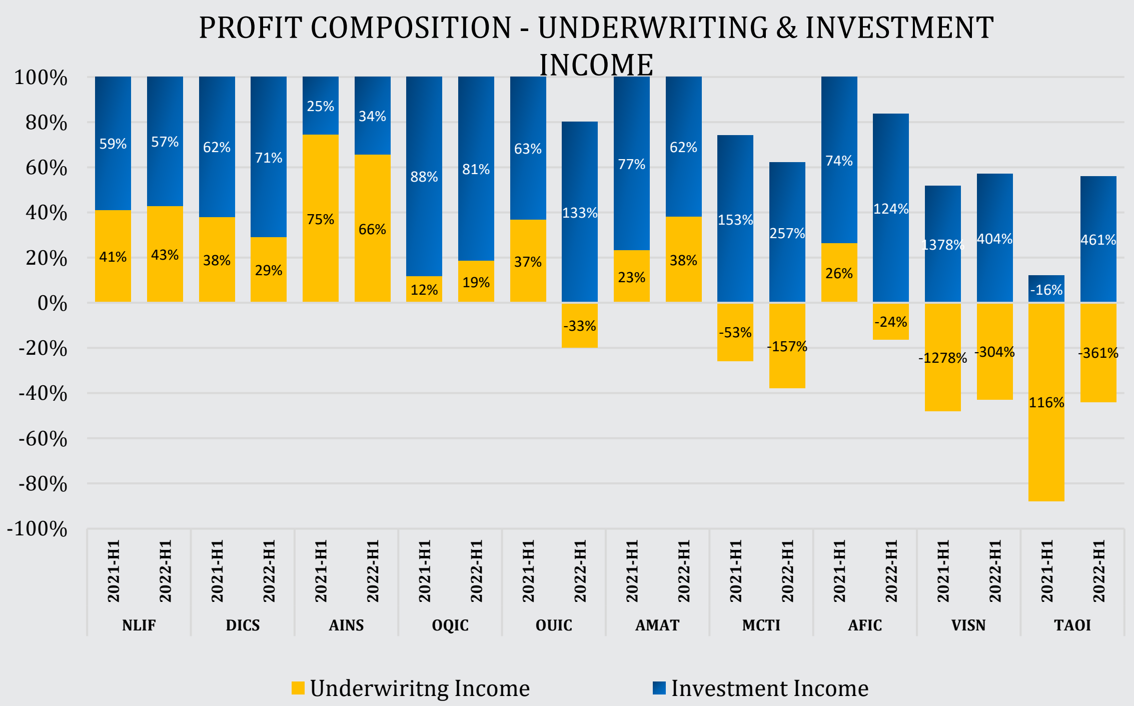
The first graph demonstrates the underwriting income earned by each of the companies over the half year period of 2022 vs 2021. Only half of the listed companies have recorded profits from their underwriting activities in 2022-H1. This is a downturn compared to the same period in the previous year. NLIF followed by AINS recorded the highest underwriting profits whereas MCTI recorded the highest underwriting deficit.

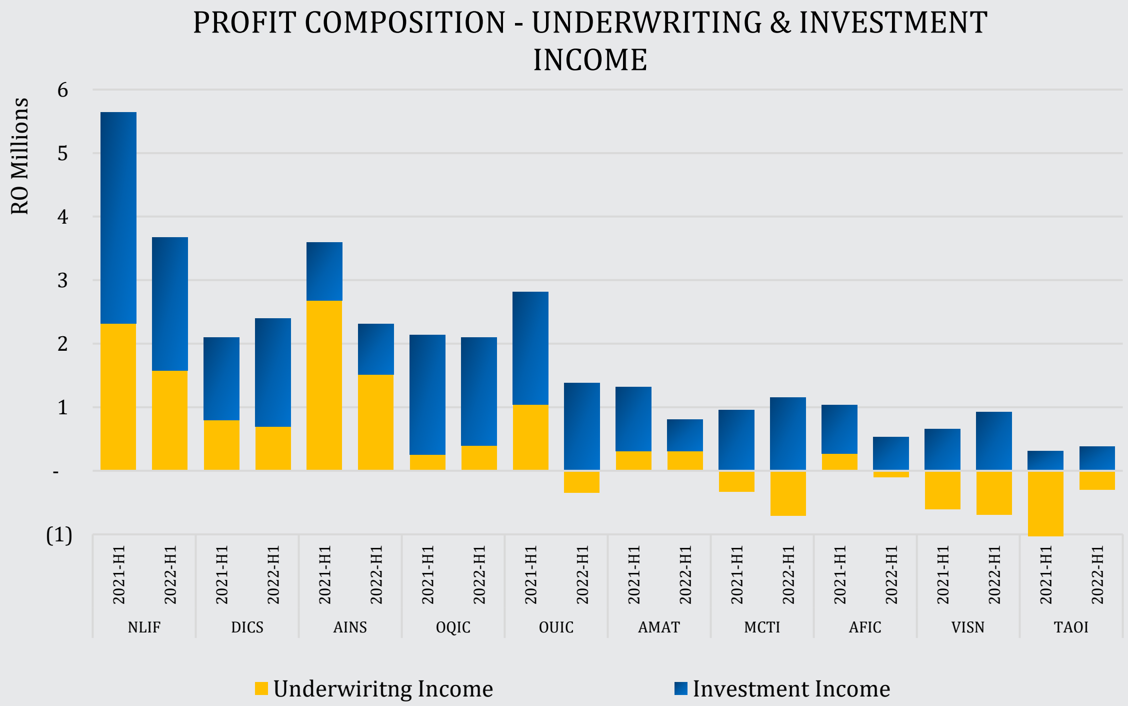
The second graph demonstrates the investment income earned by each of the companies over the half year 2022-H1. Similar to underwriting income, NLIF has recorded the highest investment income however it has decreased in comparison with 2021-H1. It should again be noted that not all of this income is generated within Oman.

The overall investment income of the listed companies in 2022-H1 has declined by 13% as compared to corresponding period in 2021 due to the decrease in investment income from most companies.

The graphs are sorted in descending order of 2022-H1 Profit.

Profit Before Tax



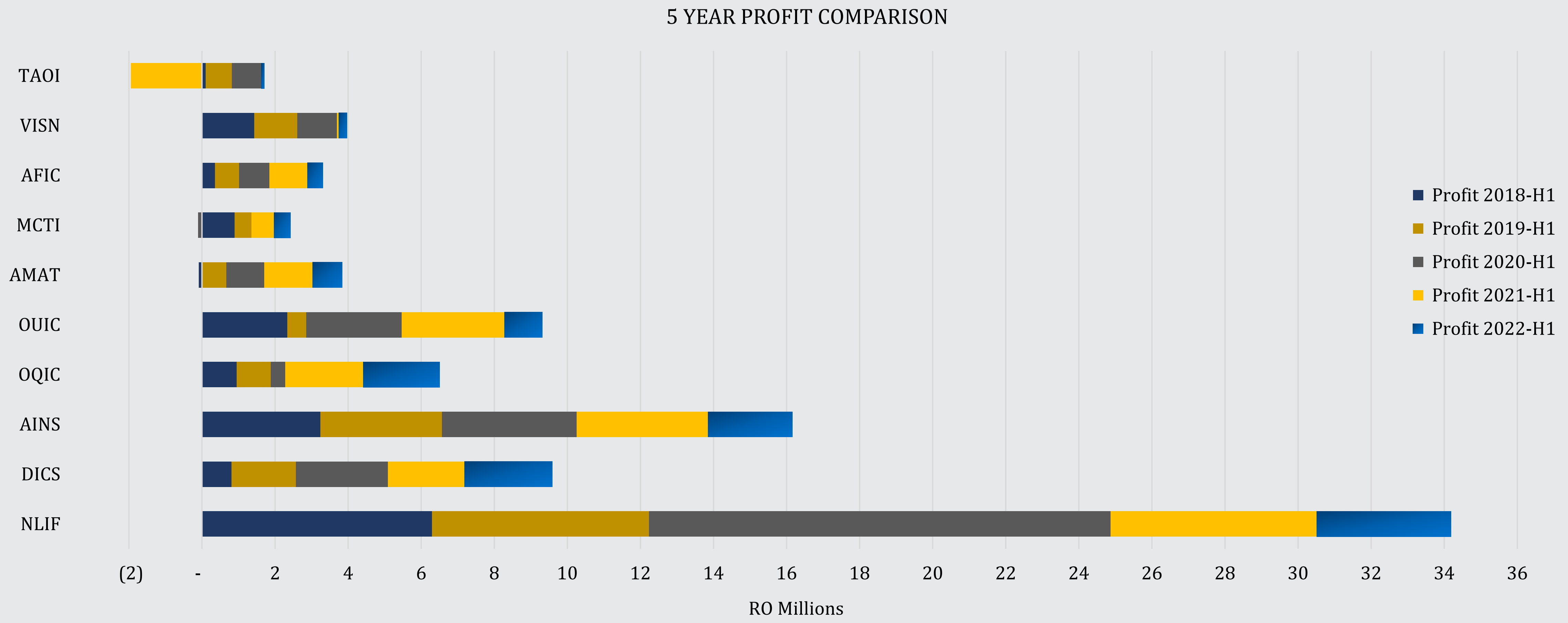


In this analysis, profit before tax comprises of underwriting income and investment income. The total underwriting and investment income earned for the listed companies in Oman for the half year period of 2022 amounts to RO 2.3 million (2021-H1: RO 4.5 million) and RO 11.1 million (2021-H1: RO 12.9 million) respectively.

For all the listed Companies operating in Oman, it can be observed that Investment Income is a major contributor for generating profits. The companies which have generated losses from their underwriting activities have been able to recoup overall profits from their investment income.

The analysis presented here is sorted by 2022-H1 Profit.

Profit Before Tax



The analysis presented here is sorted by 2022-H1 Profit.

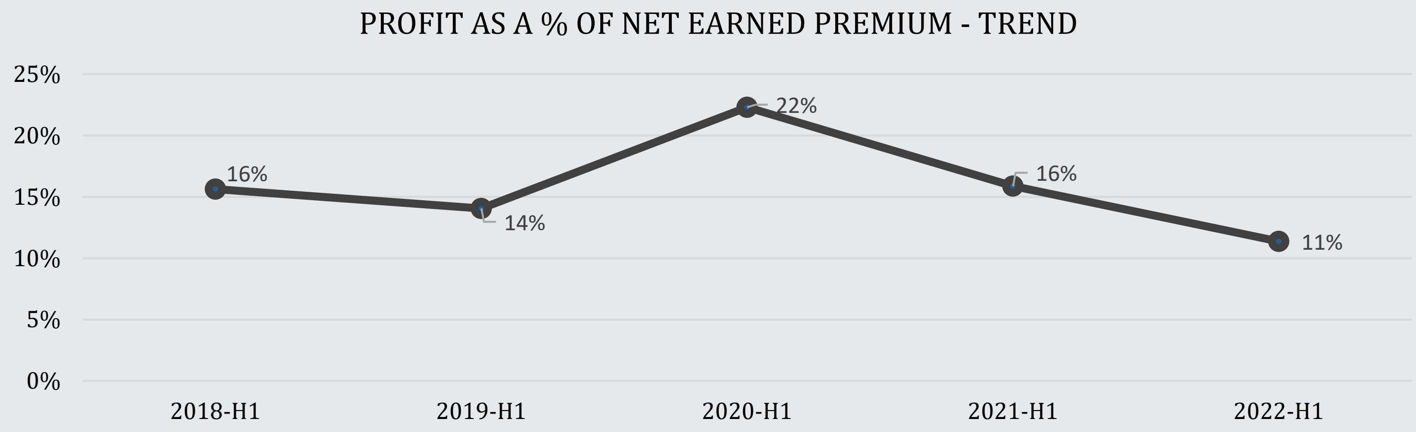
Profit as a Percentage of Net Earned Premium

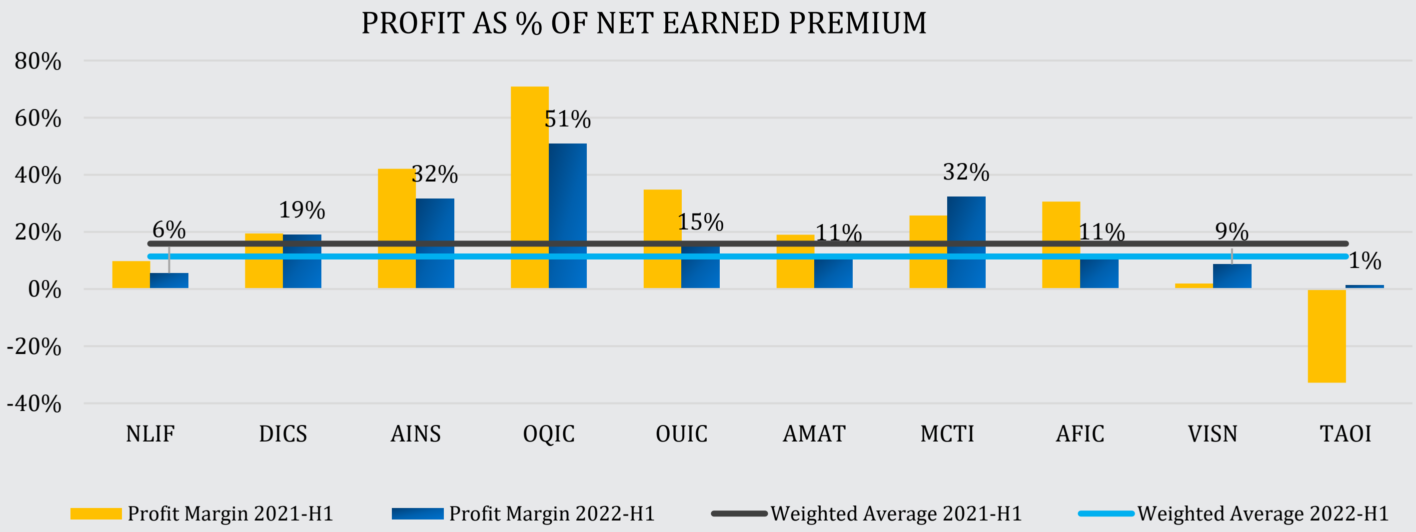
The first graph shows the profit margin over the last five years. There was a noticeable spike in 2020-H1 which was due to COVID-19 pandemic and subsequent lockdown. Since then, the profit margin has continued to decrease and now stands at 11% which is the lowest over the review period.

As depicted, OQIC has the highest profit margin, followed by AINS and MCTI all of which are significantly above the industry average. TAOI has the lowest profit margin however it has shown a notable improvement.

The Profit Margin is calculated as profit before tax as a proportion of net earned premium.

The above analysis is sorted in decreasing order of 2022-H1 Profit.



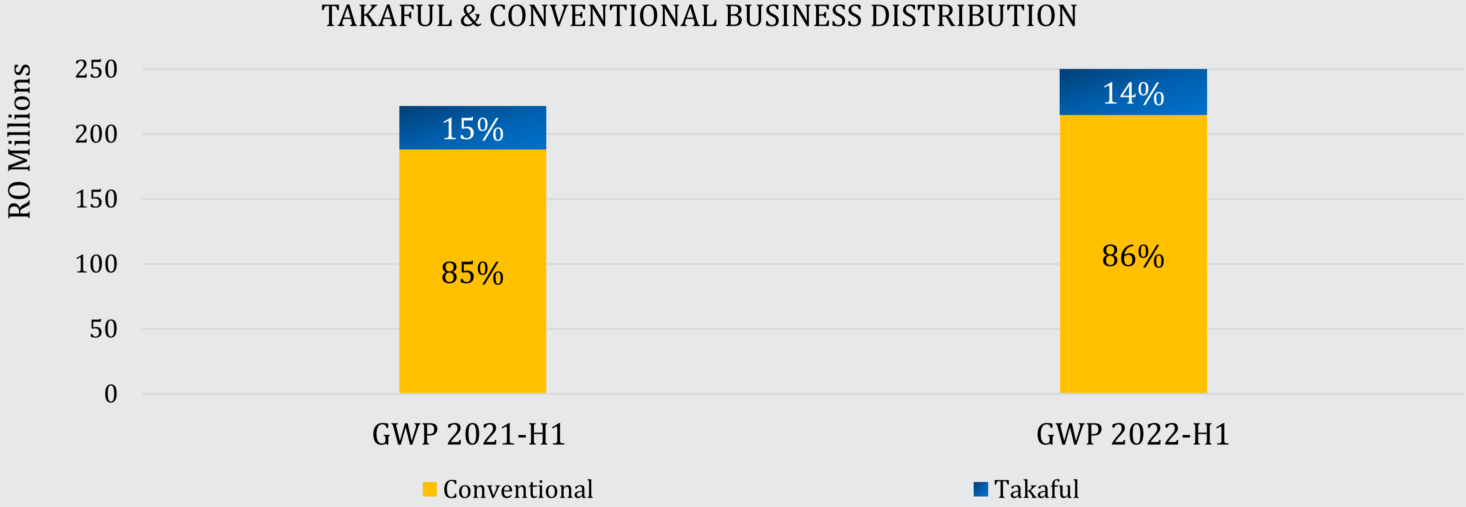


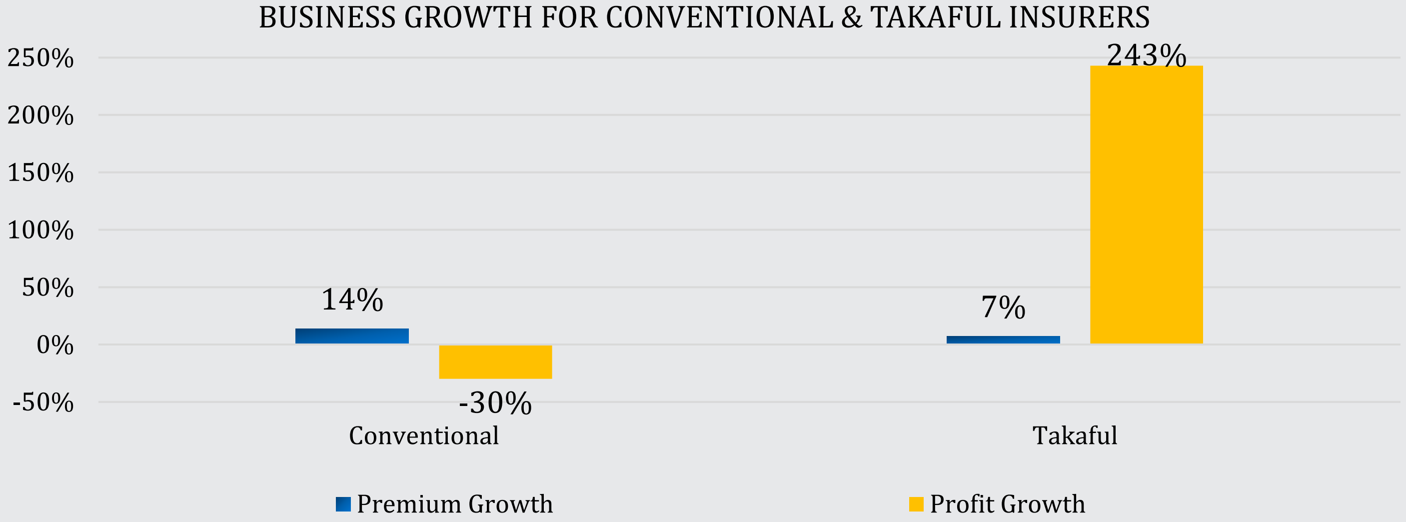
Conventional Vs Takaful

In the Sultanate of Oman, out of 10 listed insurance companies, only 2 operate as Takaful Insurers (TAOI & AMAT), contributing 14% of the total written business reflecting a slight decline in the market composition between 2021-H1 and 2022-H1.

While there has been a 14% increase in premium for Conventional business, they have exhibited a 30% drop in profits.

On the Takaful front, there has been a 7% growth in premium while profits have increased remarkably by 243%. This is due to 104% increase in profits exhibited by TAOI resulting from improvement in underwriting.





Premium Benchmarked based on Profitability 2022-H1

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 followed by DICS.

An important observation can be made for AINS, which despite its low premium volume, managed to generate profit that is ranked third. On the contrary, TAOI has ranked last in terms of profit despite ranking 6th in terms of premium. This is due to substantial losses incurred by the company in their underwriting activities.

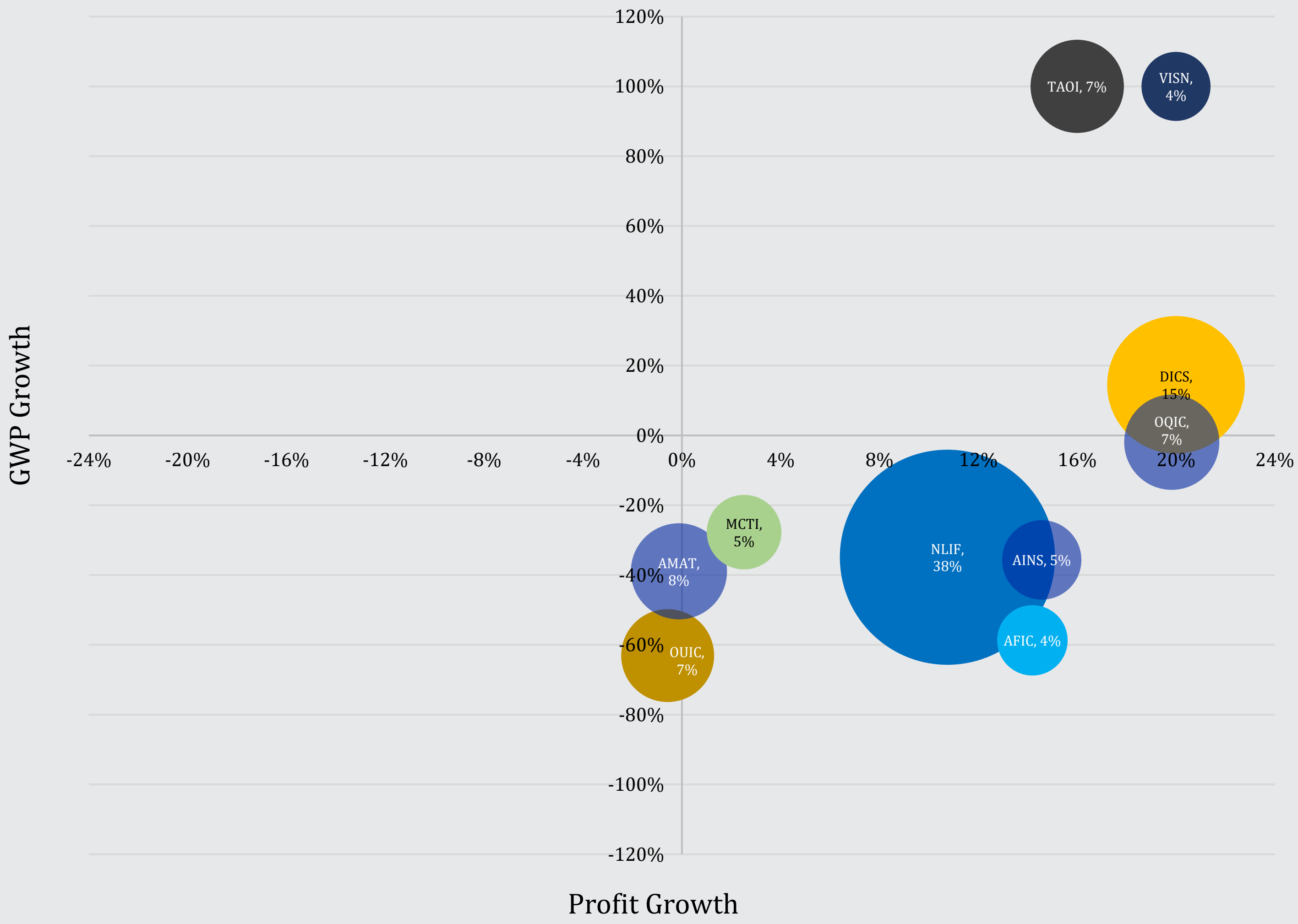
Company	Ranking		Indic.
	Gross Premium	Profit	
NLIF	1	1	-
DICS	2	2	-
OQIC	3	4	
OUIC	4	5	
AMAT	5	6	
TAOI	6	10	
AFIC	7	8	
AINS	8	3	
MCTI	9	7	
VISN	10	9	

Premiums and Profit Analysis

A summary of premium and profitability growth during half year 2022 from the corresponding period of the previous year is presented. Companies exhibiting premium and profitability growth rate outside of the +-20% and +-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 may be due to the company onboarding loss making business.

The size of the bubble represent the market share of a company

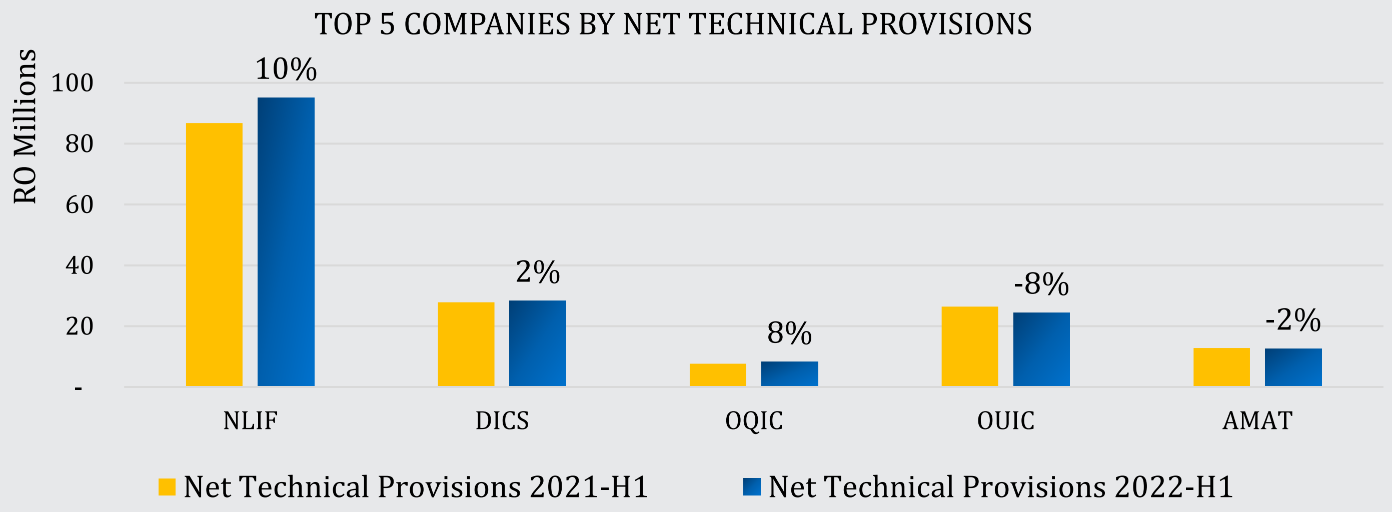


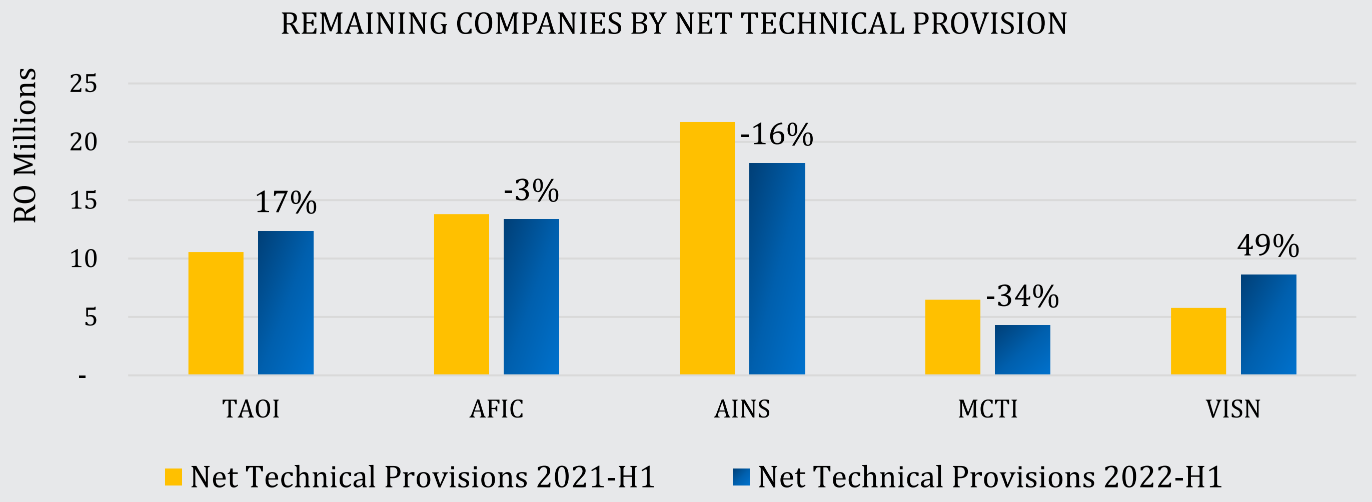
Net Technical Provisions

Total net reserves as at June 30, 2022 amount to RO 225 million which is a 2% increase compared to the reserves as at June 30, 2021 (RO 220 million).

Out of all the listed companies, NLIF has the highest technical provisions, which is commensurate with the size of its operations.

VISN saw the highest growth in net technical provisions of 49%. Meanwhile the highest decline is seen by MCTI of 34%.

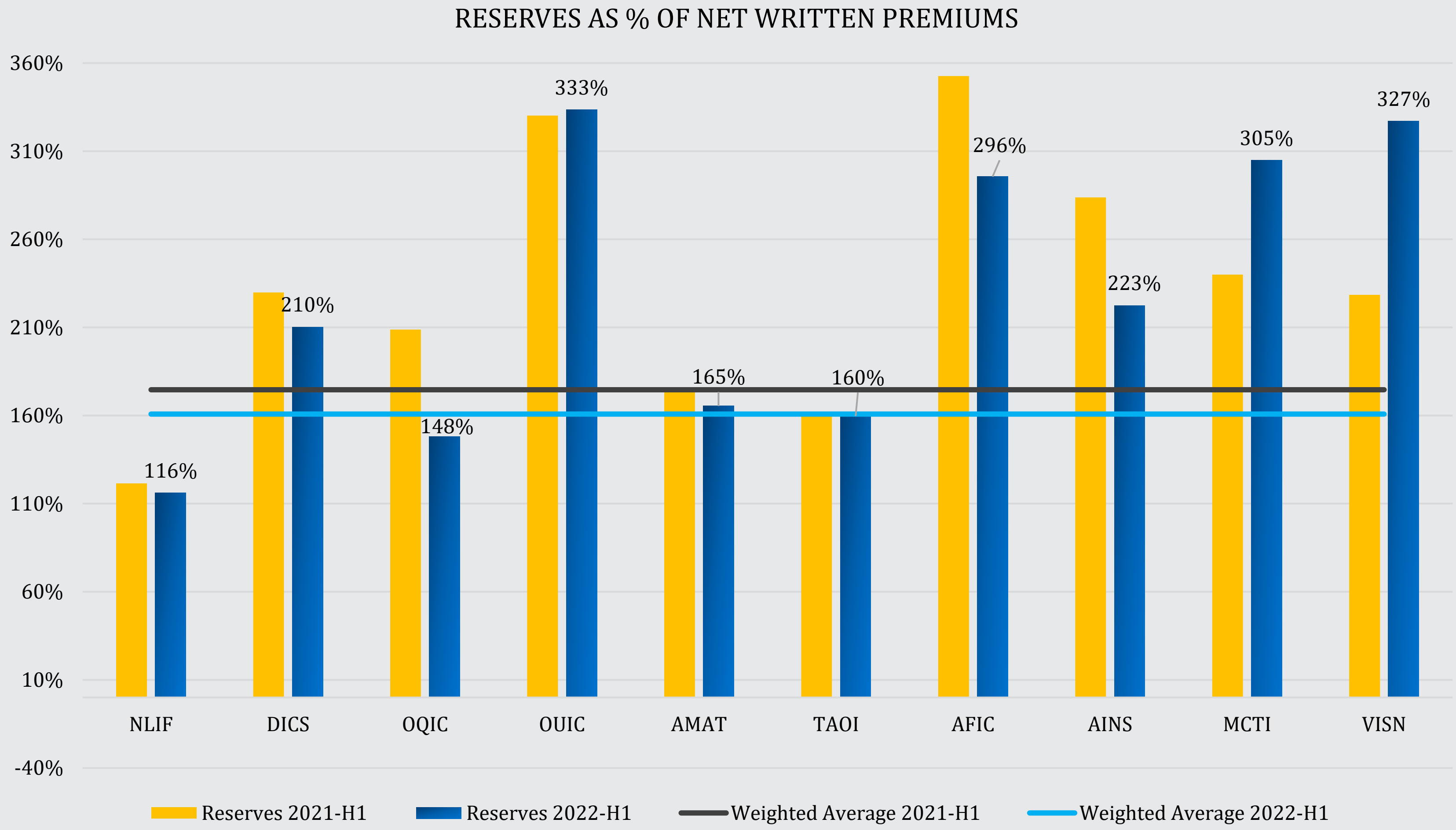




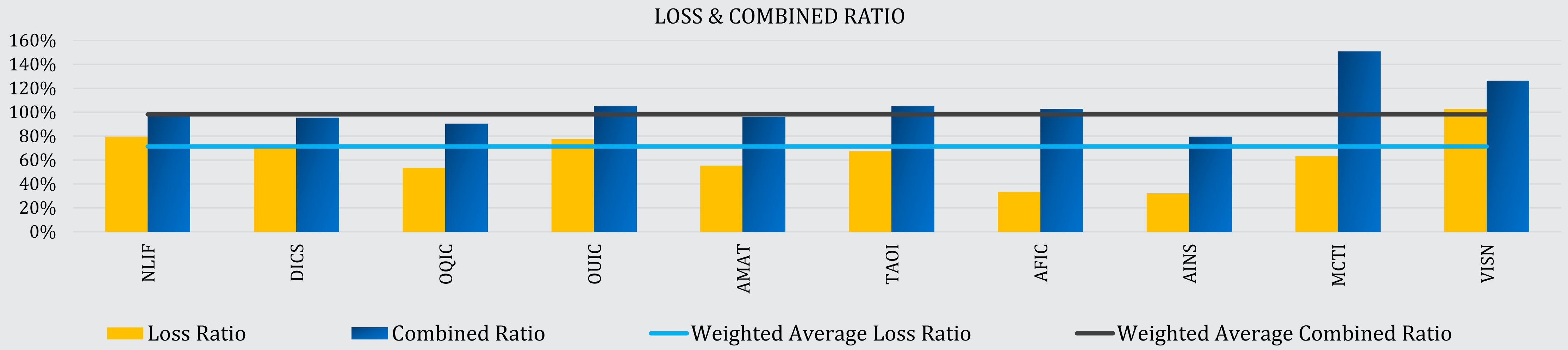
Net Reserves as % of Net Written Premiums

The highest ratio of 333% is exhibited by OUIC. On the other hand, the lowest ratio of 116% is depicted by NLIF.

The weighted average net reserves to net premium ratio is recorded at 161% for 2022-H1



Combined Ratio Analysis



For the insurance companies in the Sultanate of Oman, the weighted average net loss ratio for the period 2022-H1 is computed to be 71% which is an increase from the previous year 2021-H1: 67%.

Most of the companies have demonstrated an increase in loss ratio which can be attributable to the overall prevailing economic conditions accompanied with the severe pricing competition.

VISN bears the highest loss ratio of 103% and AINS had the lowest loss ratio of 32%.

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 Gross Written Premium for 2022-H1

Segment-wise Loss Ratio

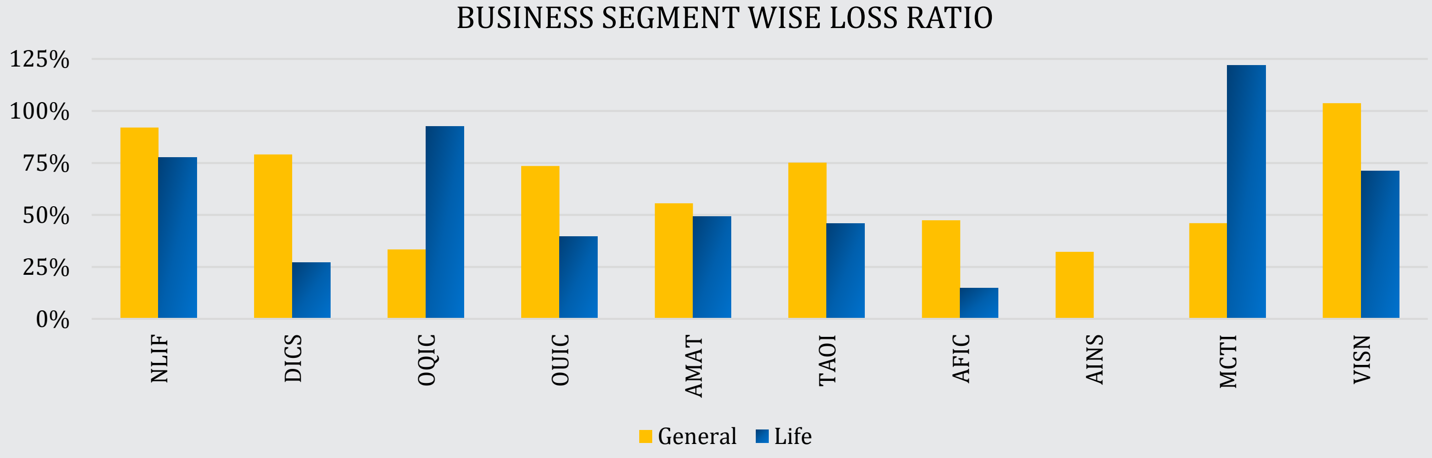
Since the Life and Non-Life business segment wise information was available, Loss Ratio analysis on the breakup is also presented.

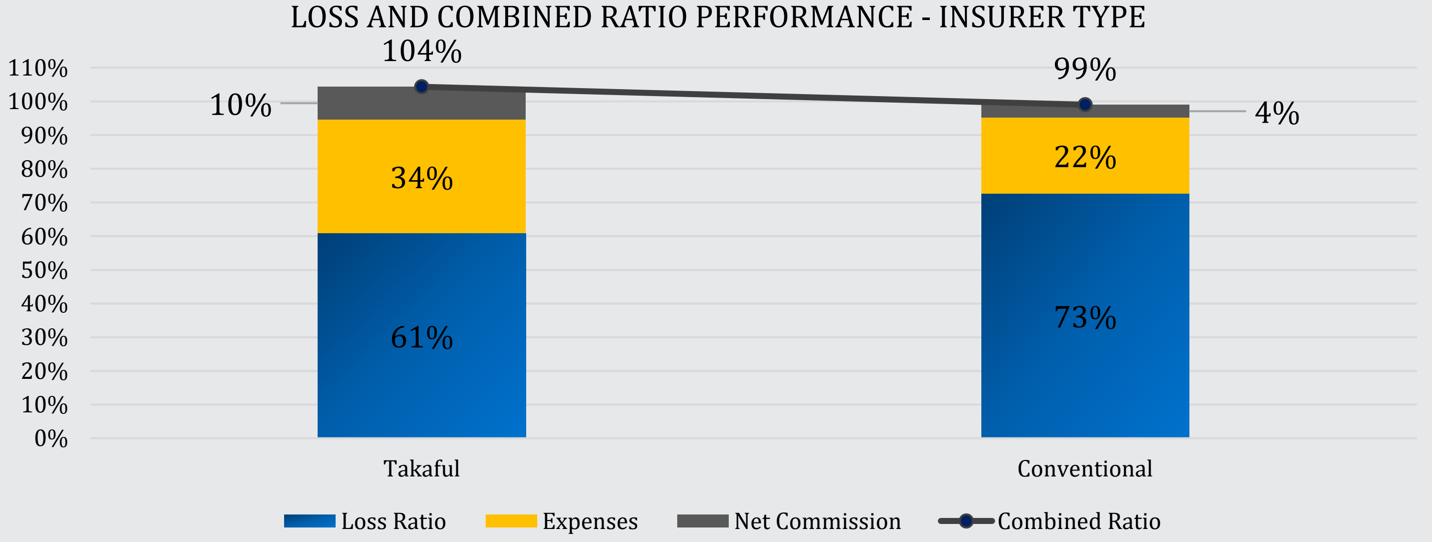
Due to limited availability of information, the graph shows reported net loss ratios for Life and Non-life segments.

The weighted average loss ratio for Life business for period 2022-H1 works out to be 72% (2021-H1: 76%) whereas Non-Life business had a weighted average of 67% (2021-H1: 58%). There seems to be a downward trend in loss ratios for Life business whereas the Non-life loss ratios demonstrate an upwards trend.

The weighted average loss ratios ratio for takaful insurers are marginally lower than those of their conventional counterparts. But due to significantly higher expense ratios exhibited by the takaful operators, the overall combined ratio for takaful companies works out to be higher than that of conventional companies.

The analysis is sorted on the basis of Gross Written Premium for 2022-H1

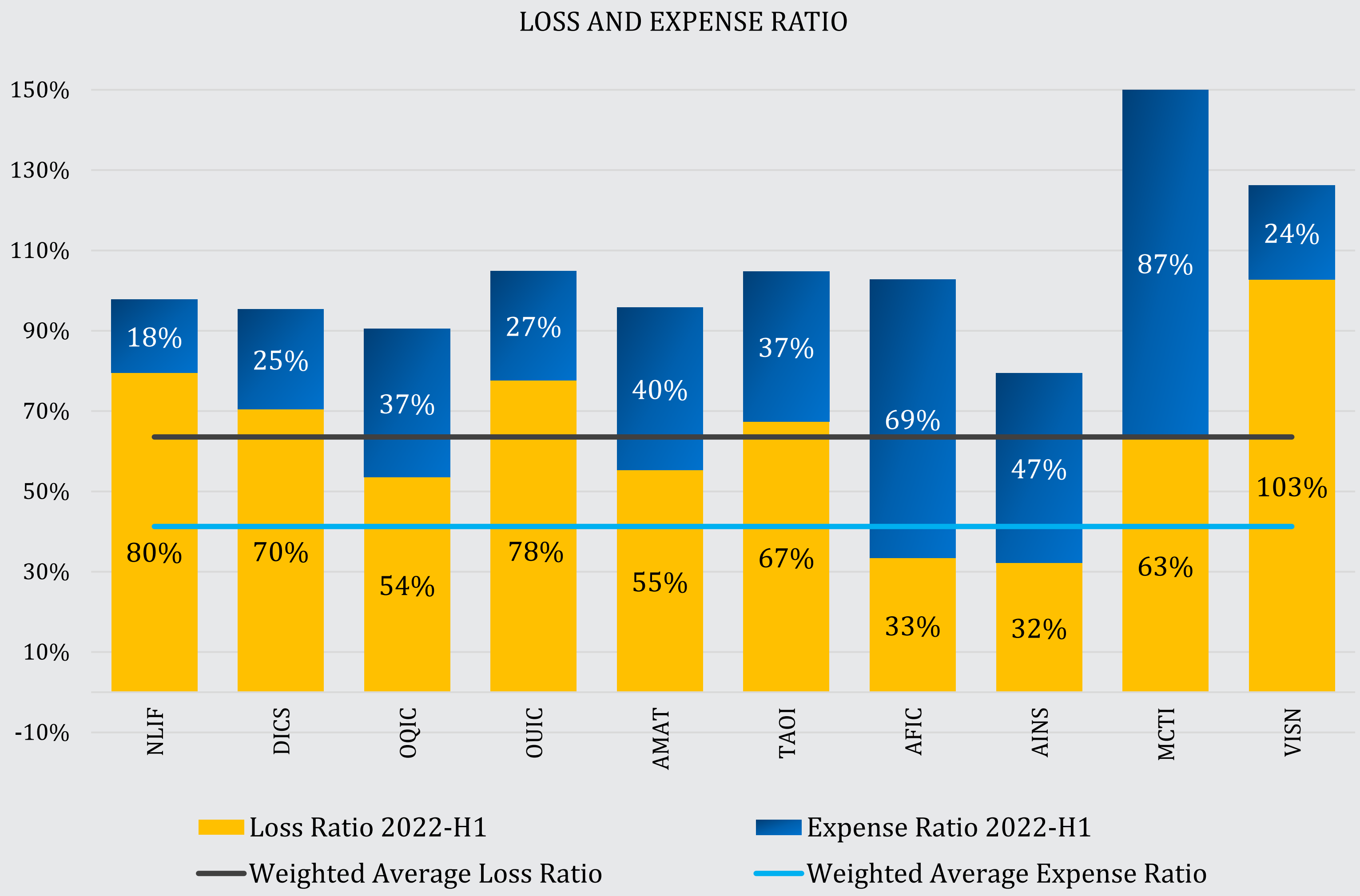




Loss and Expense Ratio

The weighted average loss and expense ratio of the listed companies in Sultanate of Oman is computed to be 71% and 27% respectively. MCTI has experienced the most notable increase in expense ratio while all companies, except TAOI and MCTI, have seen an increase in loss ratios. The growth in loss ratios has resulted in the companies having combined ratios exceeding 100% which are above the industry average of 98%, indicating an underwriting deficit.

The analysis is sorted on the basis of Gross Written Premium for 2022-H1



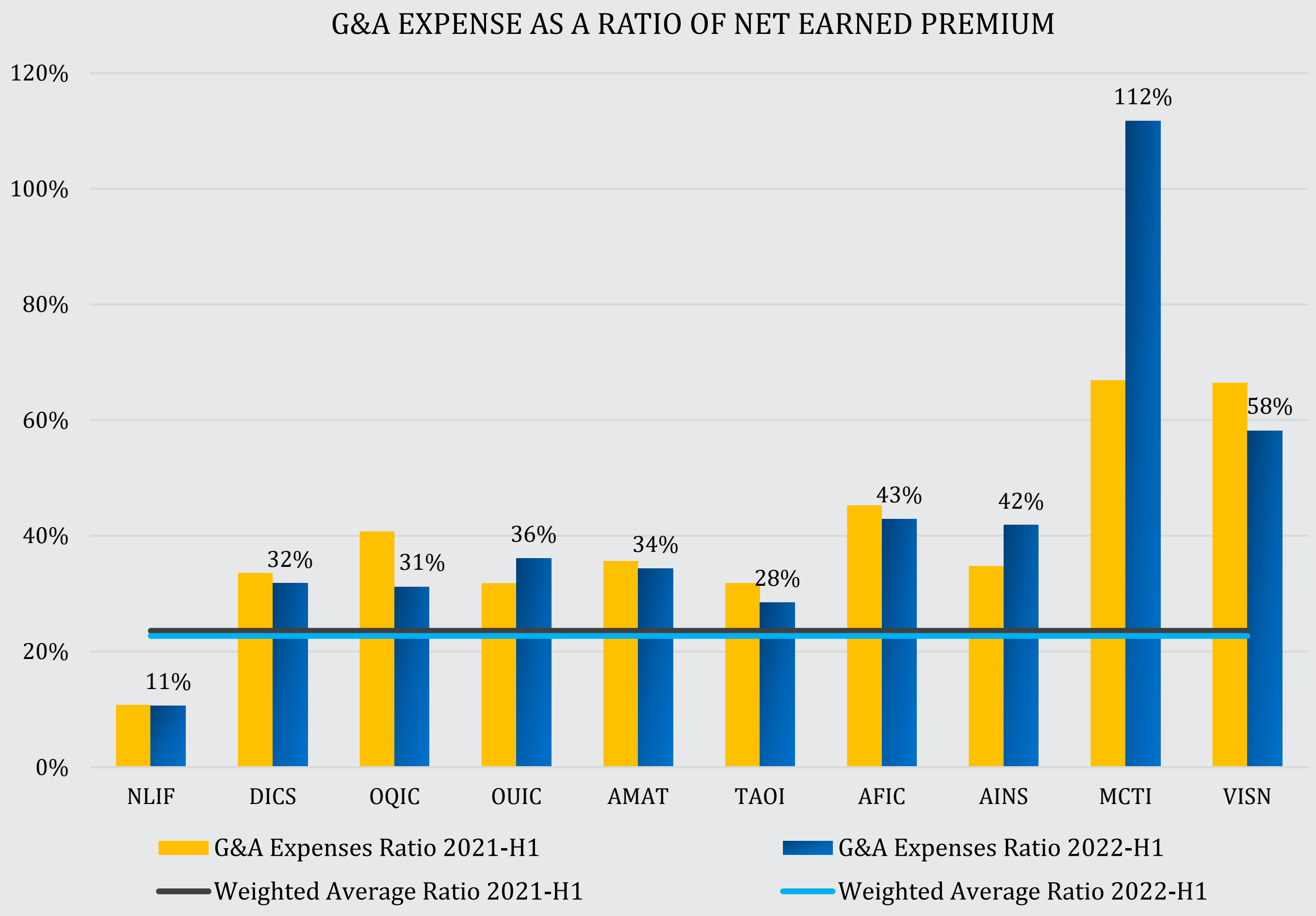
Expense Ratio

Considering G&A Expense as a proportion of Net Earned Premiums, MCTI bears the highest expense ratio of 112% followed by VISN having expense ratio of 58%. The remaining Companies all have G&A Expense ratios below 45%.

NLIF recorded the lowest expense ratio in the industry at 11% owing to its large premium volume. Larger companies generally tend to have lower expense ratio, as they have sufficient business to absorb the fixed costs.

The weighted average G&A expense ratio for the listed Insurance companies stands at 23% (2021-H1: 24%). Most companies observed a decreasing trend in their expense ratios with the exception of AINS, OUIC and MCTI. If the highest (MCTI) and lowest (NLIF) are excluded from the analysis, the G&A expense ratio works out to be 36%.

The graph is sorted with respect to Gross Written Premium for 2022-H1 in descending order.



Commission Expense Ratio

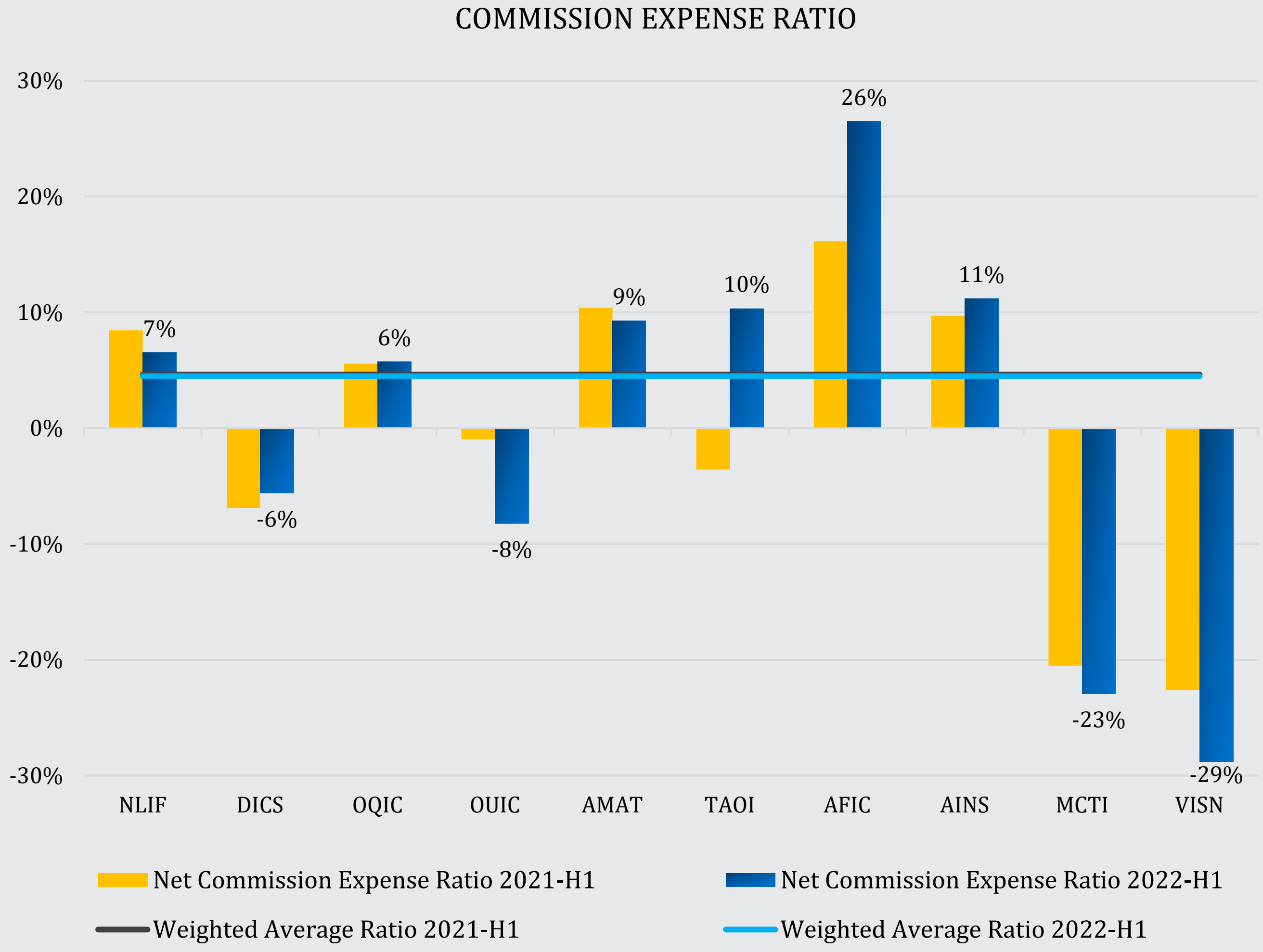
The average net commission ratio for the Omani Insurance Industry stood at 4% in 2022-H1 which is a slight decline from 5% during the corresponding period of the previous year. The commission expense considered is the net commission (commissions paid less commissions earned); a negative ratio signifies 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 some of the low net commission ratios.

The highest commission expense ratio has been recorded for AFIC at 26% while VISN experienced the lowest ratio of -29%.

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 endangering their solvency position.

Commission Ratios = Net Commissions as a percentage Net Earned Premium.

The above graph is sorted with respect to Gross Written Premium in descending order for 2022-H1.

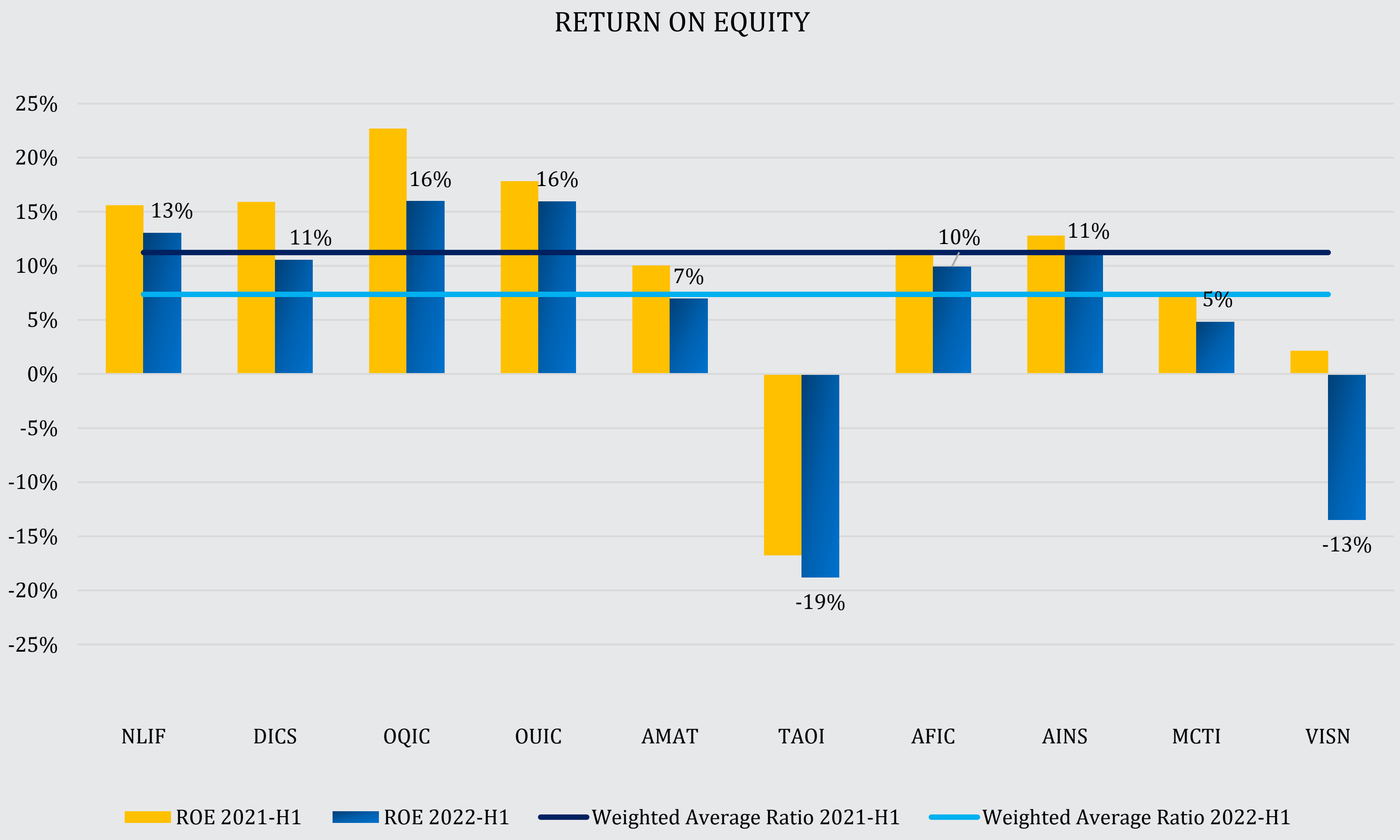


Return on Equity

The weighted average Return on Equity (ROE) for the Insurance companies in Oman was recorded at 7% (2021-H1: 11%). This decline can be attributed to the substantial decline in profits.

OQIC and OUIC have the highest return on equity of about 16% whereas TAOI has recorded the lowest return of -19%.

The Return on Equity is calculated as a ratio of rolling 12 months net profit (before tax) to total of shareholder's equity at the beginning of the period 2022-H1.



Earning Per Share

Earnings per share (EPS) indicates how profitable a company is. EPS is directly related to a company's profits; the higher the realized/unrealized profits, the higher the EPS value.

The listed insurance market experienced an overall decrease in earnings in 2022-H1 as compared to the corresponding period of last year.

All Companies except DICS experienced a decrease which has resulted in the listed insurance market experiencing an overall decrease as well.

Company	EPS 2021-H1	EPS 2022-H1
VISN	0.000	-0.002
MCTI	0.052	0.043
AINS	0.031	0.020
OQIC	0.020	0.019
NLIF	0.018	0.012
OUIC	0.024	0.009
DICS	0.018	0.021
AMAT	0.009	0.004
AFIC	0.008	0.003
TAOI	0.007	-0.001

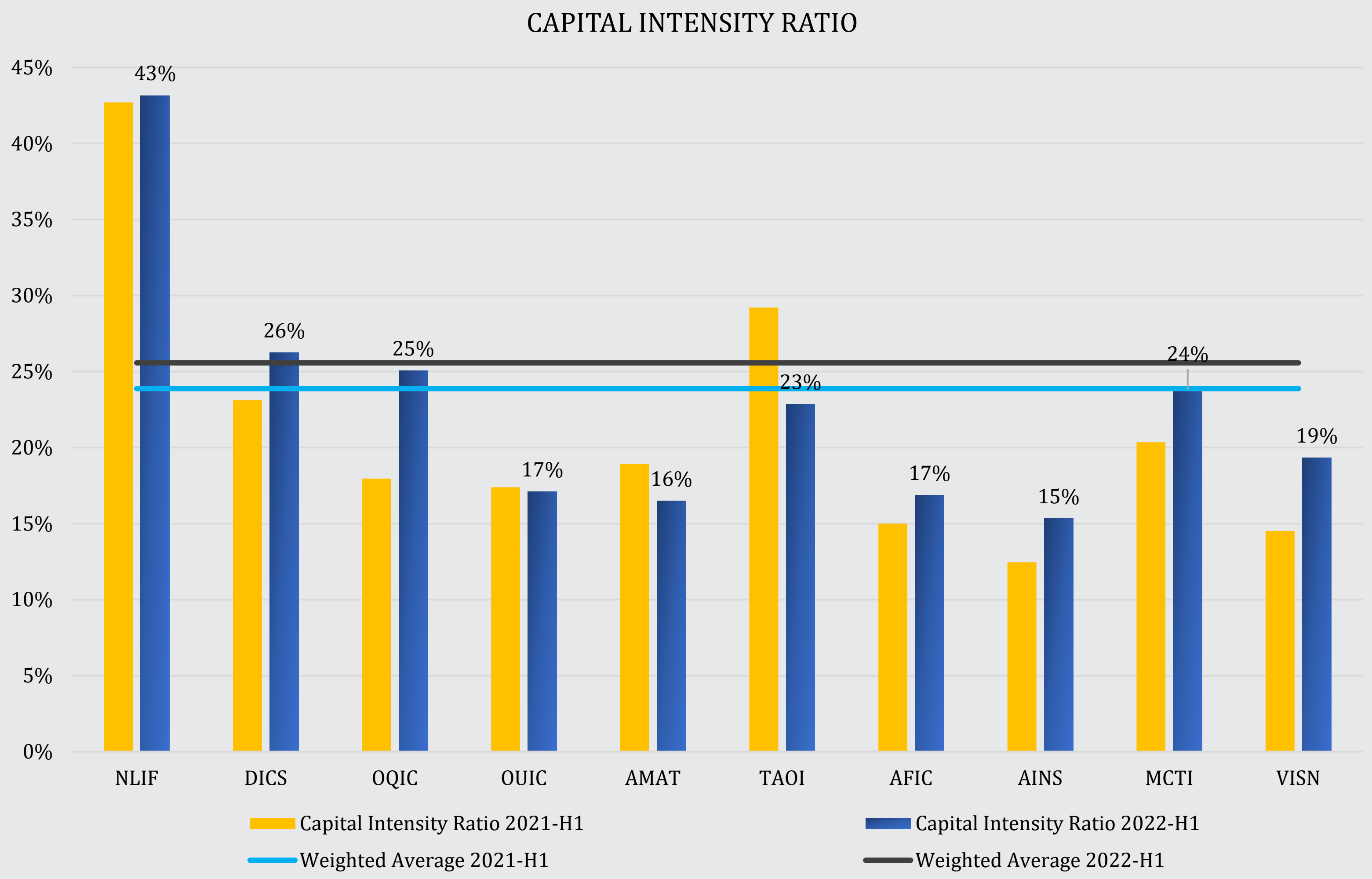
Capital Intensity Ratio

Capital Intensity Ratio shows how much business does a company generates. That is, the premium written per RO invested in the company. A high CIR shows that per RO invested, the company is maximizing written premium.

It is calculated by taking a proportion of gross written premium for 2022-H1 to Total Assets as at June 30, 2022.

The Industry weighted Average Capital Intensity ratio for 2022-H1 is 26%.

NLIF attains highest CIR of 43% whereas, lowest of 15% CIR is attained by AINS.

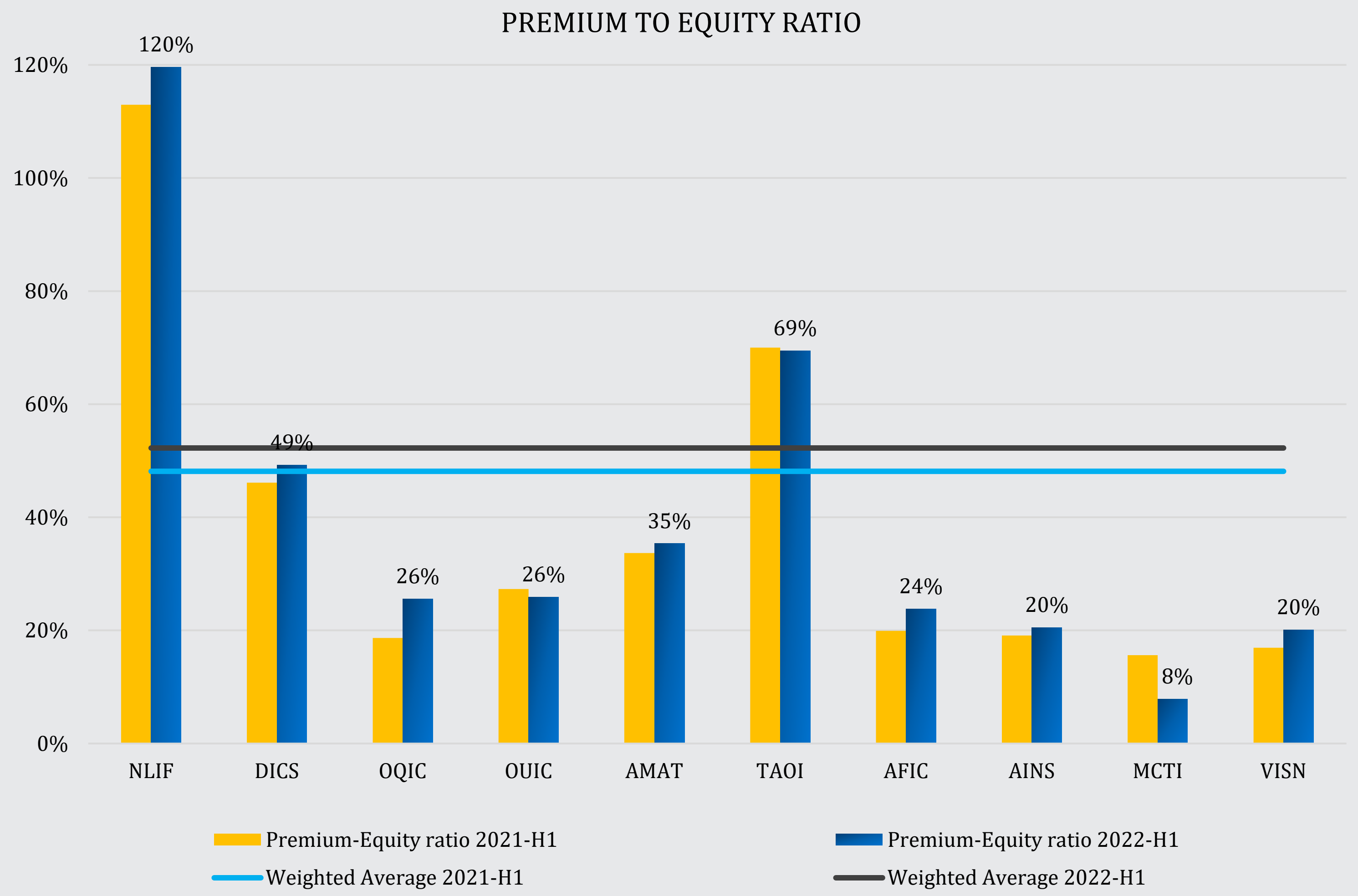


Premium To Equity

The highest Premium to Equity ratio for 2022-H1 is 120% depicted by NLIF. The lowest ratio of 8% is reflected by MCTI.

Weighted average Premium to Equity ratio for 2022-H1 is 52% (2021-H1: 48%).

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium for 2022-H1 to Total Equity as at June 30, 2022.

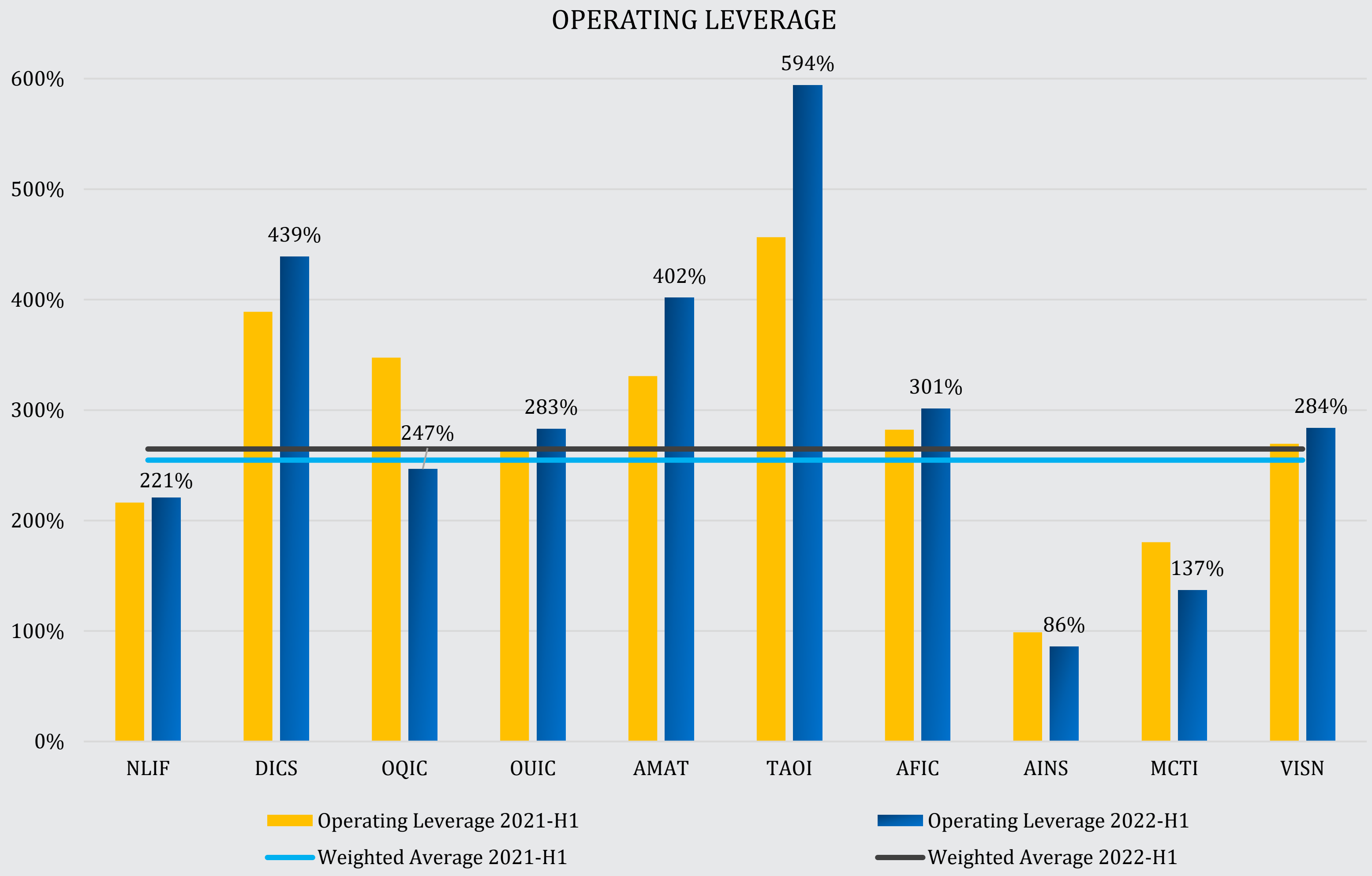


Operating Leverage

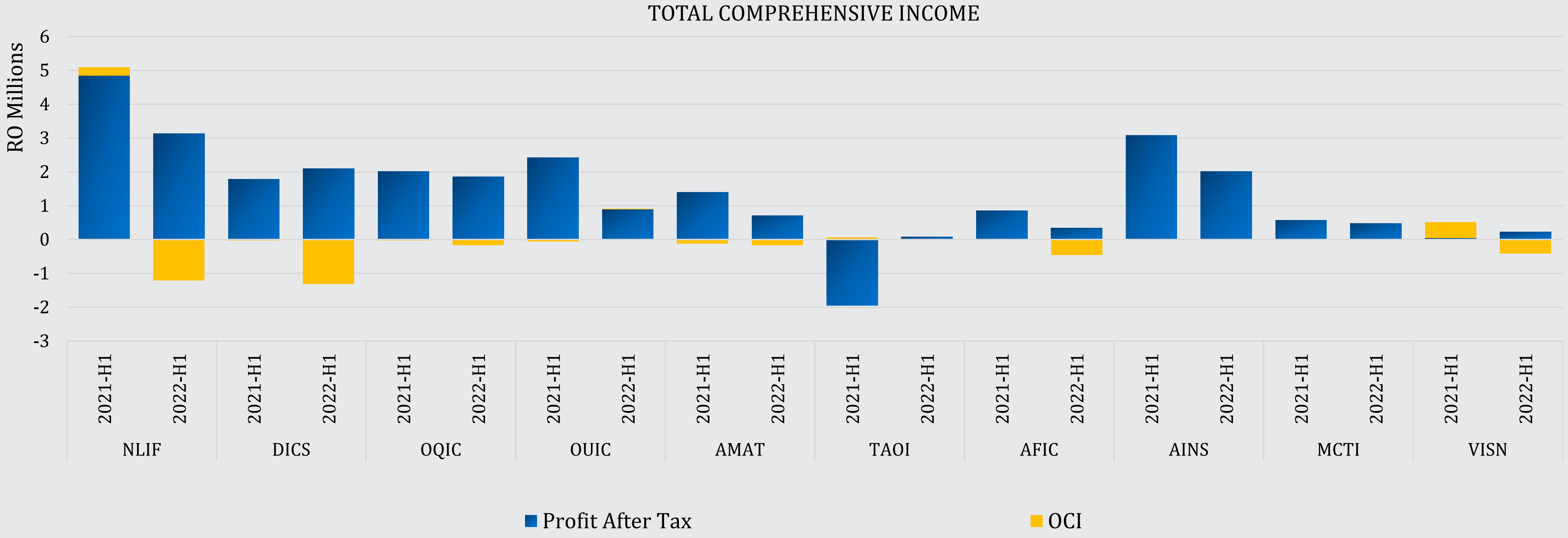
The highest Operating leverage ratio for 2022-H1 is 594% shown by TAOI, whereas the lowest of 86% is reflected by AINS.

For 2022-H1, the weighted average Operating leverage ratio for the market is at 265% (2021-H1: 255%).

The Leverage ratio is calculated by taking the proportion of Total Liabilities to Net equity of the Company at June 30, 2022.



Total Comprehensive Income

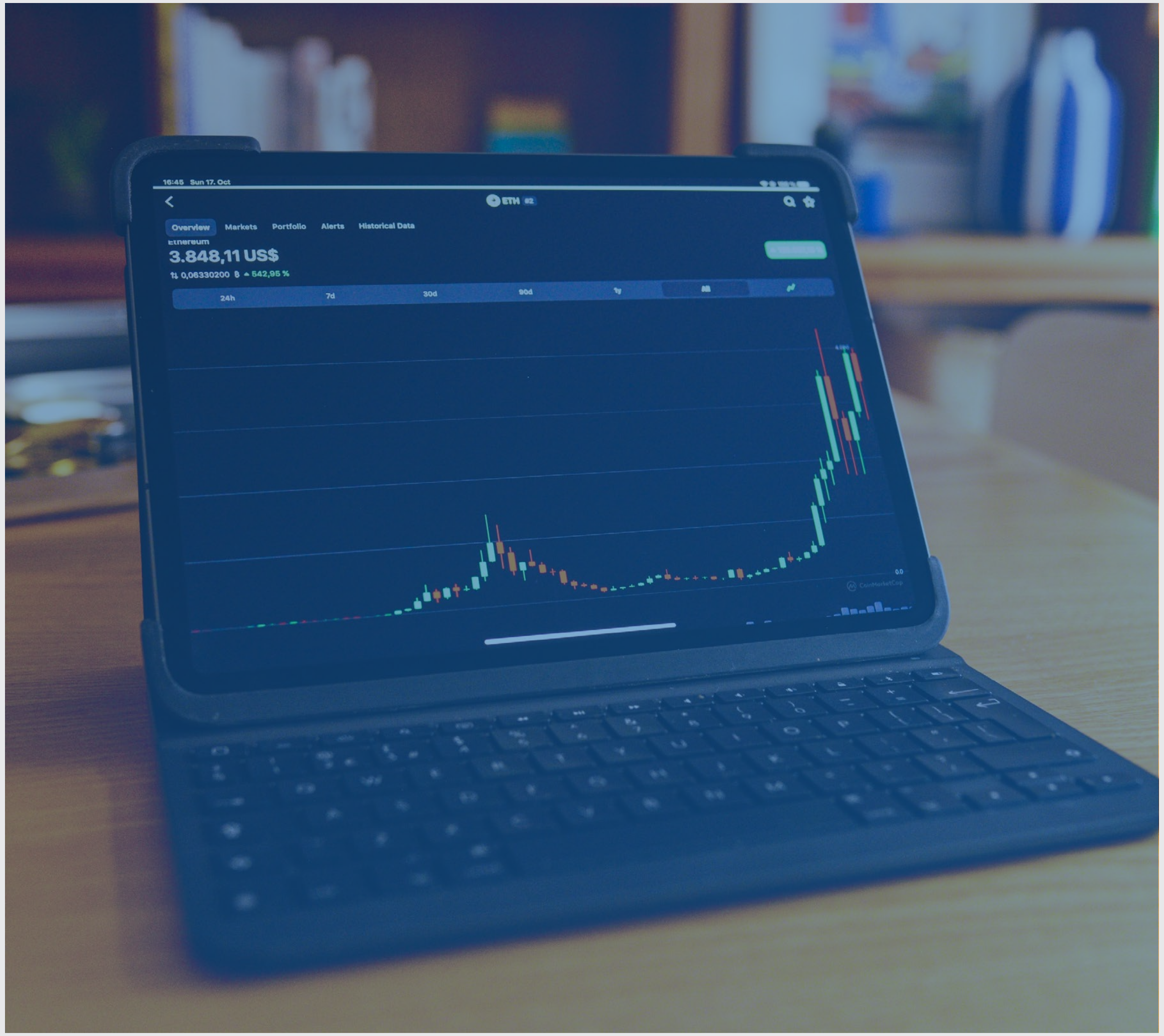


For the period 2022-H1, the listed companies experienced a 791% decline in overall OCI owing to the adverse performance of the equity market. This is brought on by growing concerns regarding inflation and a possibility of global recession. All companies except OUIC have recorded a negative OCI.

The Total Comprehensive Income (Profit after Tax plus Other Comprehensive Income) for the first half of 2022, exhibited a decline of 48%.

Segregated information for OCI is only available for 8 (out of 10) companies. 7 out of those 8 recorded losses in OCI for 2022-H1.

Net Profit Breakdown



Particulars	2022-H1	2021-H1	Variance
	RO Million	RO Million	RO Million
Total UW Profit	2.3	4.5	(2.1)
Investment Income	11.2	12.9	(1.7)
Total Net Profit	**13.5**	**17.4**	**(3.8)**

Conclusion

The Omani insurance industry wrote a total of RO 250 million gross written premium for the period 2022-H1 (2021-H1: RO 222 million) which is a growth of 13%. This can be partially attributed to the shift towards selling an increasingly large part of the business online along with improved relationships with brokers. The insurance companies should expect to see further growth in the upcoming months with the launch of mandatory health insurance.

As compared to the corresponding period of the previous year, 2022-H1 saw an increase in the overall loss ratio of the market. The Life loss ratio stood at 72% (2021-H1: 76%) while the non-life loss ratio was 67% (2021-H1: 58%). This drastic increase in the loss ratio for non-life business can be attributed to the unsustainable price competition and significant increase in motor claims as the claim activity restores to pre-pandemic levels.

Half of the listed companies in the Sultanate of Oman have recorded a deficit from their underwriting activities. This is a direct result of the worsening loss ratios. Moreover, the country's geographic location makes it highly prone to natural catastrophic events which has led to the increase in reinsurance pricing and limitations on coverage.

With both underwriting and investment income declining over the period, the overall profits before tax have also dropped by 29%. Additionally, there has been a significant deterioration in the Other Comprehensive Income with most of the listed companies recording a negative OCI.

The industry has thrived through the obstacles faced during the pandemic. However, there are growing concerns regarding a global recession and the steep trend of inflation rates. Although there has been improvement in certain areas, the future is expected to be challenging.

Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman for the 2022-H1. 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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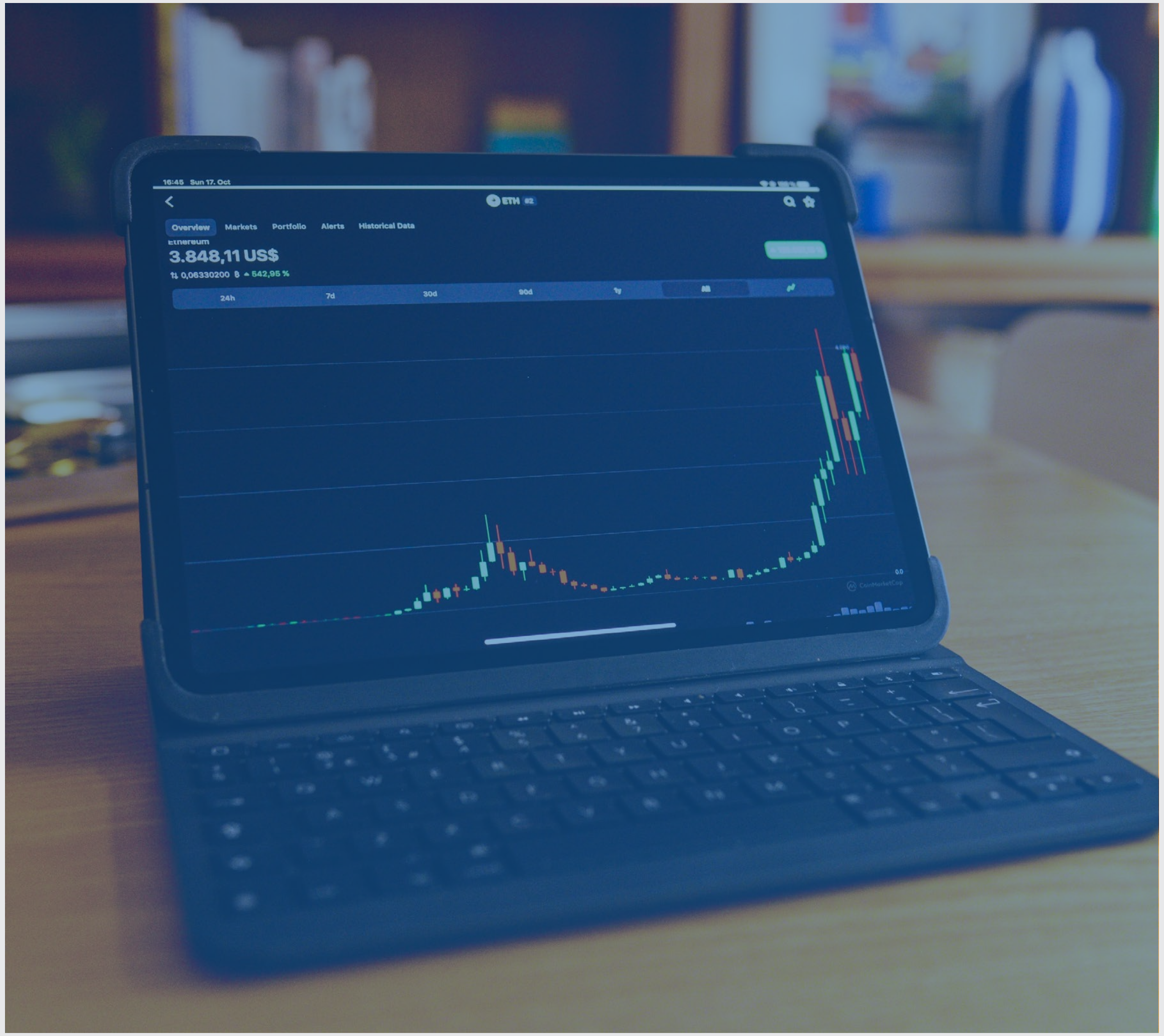
Due to availability of limited information, we were unable to segregate further into class of business. Once all companies start publishing financial statements with uniform level of segregation, this can be done.

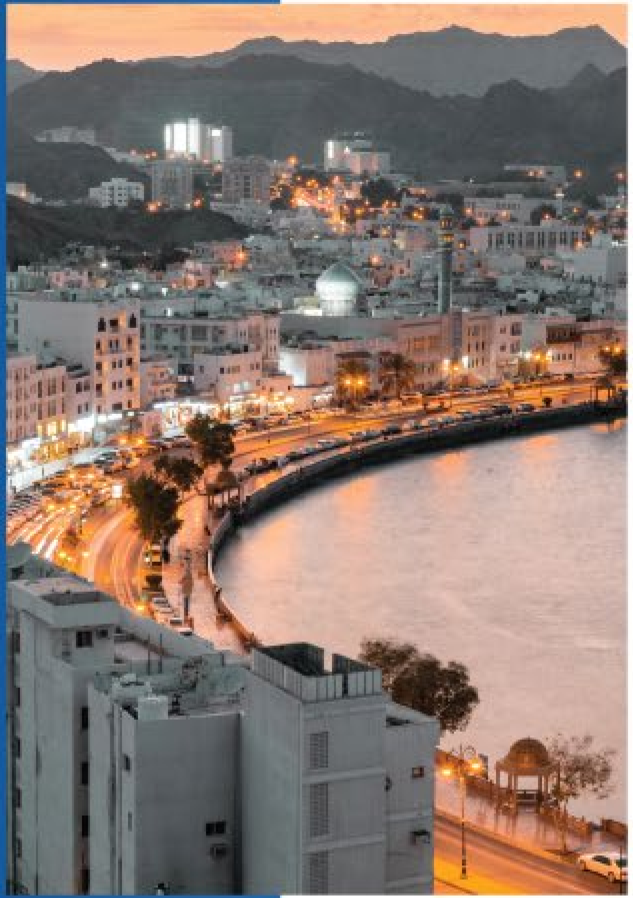
The Group & Individual Credit Life, Family Takaful and Term & Whole Life Plans are considered as Life Insurance while Other General Insurance are taken as Non-Life Insurance due to the available segmentation in the published financials. For NLIF and MCTI, Medical is not segregated from Life in the published 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

About Our Team



UAE/Oman Actuarial 31 staff	KSA Actuarial 19 staff
Business Intelligence 7 staff	End of Service 5 staff
Medical 6 staff	IFRS-17 12 staff
HR Consulting 2 staff	Support Functions 24 staff

Total Strength 106

Our Team

Hatim Maskawala

Ali Bhuriwala

Omar Khan

Maira Qadar

Hassan Athar

Shahrukh Abdul Rauf

Our Feedback

Badri Management Consultancy is proud to present Oman's Insurance Industry Performance analysis 2022-H1. 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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