

# **Omani Listed Insurance Companies Performance Analysis For 2022-Q3**

Date: December 29, 2022





**BADRI**

2022-Q3 – Omani Listed Insurance Companies

# About BADRI Management Consultancy

Driven by the passion to further the use of actuarial skills in the MENA region, Badri was established in the UAE. Since then, the company has expanded exponentially and now has offices in Dubai, Riyadh, Karachi, and Lahore.

Today, our 120+ talented staff spread across KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in General, Life & Health Insurance / Takaful and provide customized solutions by using the latest analytical tools. We also provide IFRS17, ERM, Capital Modelling, and Big Data Analytics services to our clients.





**BADRI**

2022-Q3 – Omani Listed Insurance Companies

**We have done it again 3<sup>rd</sup> time in a row**

***“Strategic Partner to the Industry”*** at  
9th Middle East Insurance Industry  
Awards.

**BADRI Management Consultancy**

***“Your Profit Optimization Partner”***





## 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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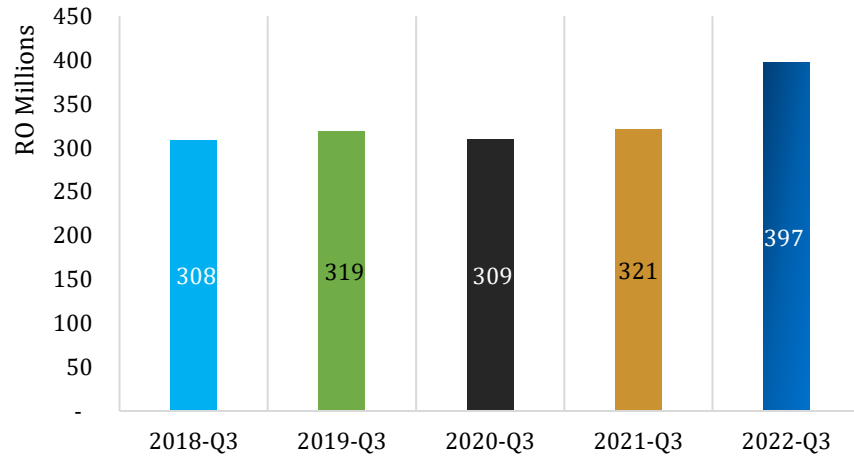
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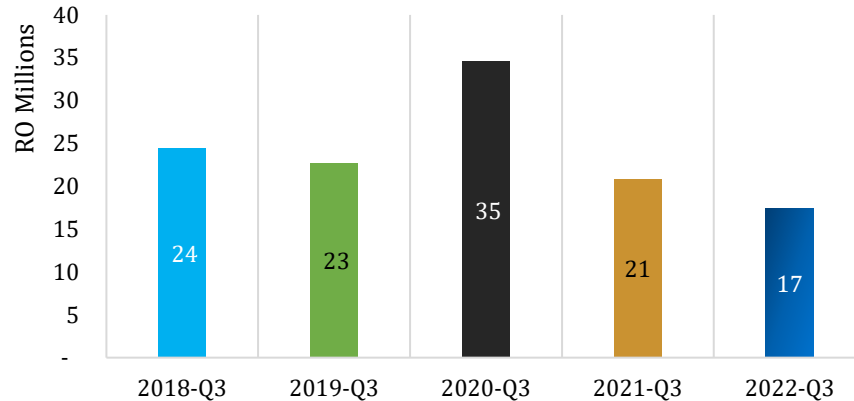


## Highlights From 2022-Q3 Report

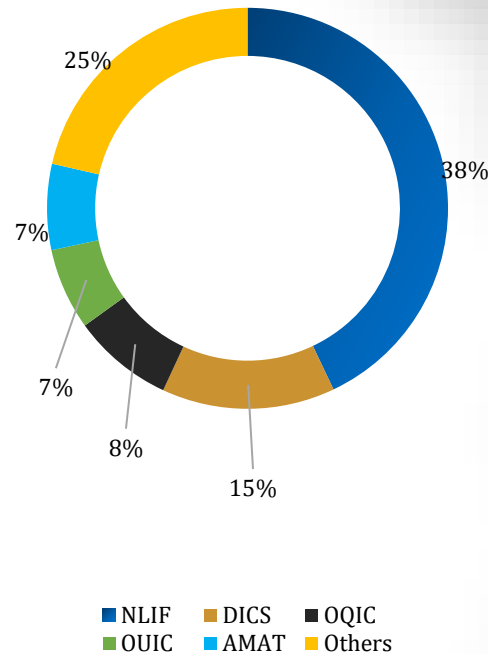
PREMIUM TREND OVER 5 YEARS



PROFIT TREND OVER 5 YEARS



MARKET SHARE



Business Written

RO 397 million  
2021-Q3: RO 321 million

Retention Ratio

56%  
2021-Q3: 59%

Profit

RO 17 million  
2021-Q3: RO 21 million

Loss Ratio

72%  
2021-Q3: 69%

Combined Ratio

101%  
2021-Q3: 98%

Net Technical Reserves

RO 293 million  
2021-Q3: RO 225 million

Return on Equity

7%  
2021-Q3: 10%

Highest Growth in GWP recorded by NLIF at 40%

Highest Growth in Profit by MCTI at 264%

Highest GWP recorded by NLIF at RO 170 million

Highest Net Earned Premium Growth by OQIC at 43%

Highest Retention by NLIF at 78%

Highest Return on Equity OQIC at 19%



## Gross Written Premiums

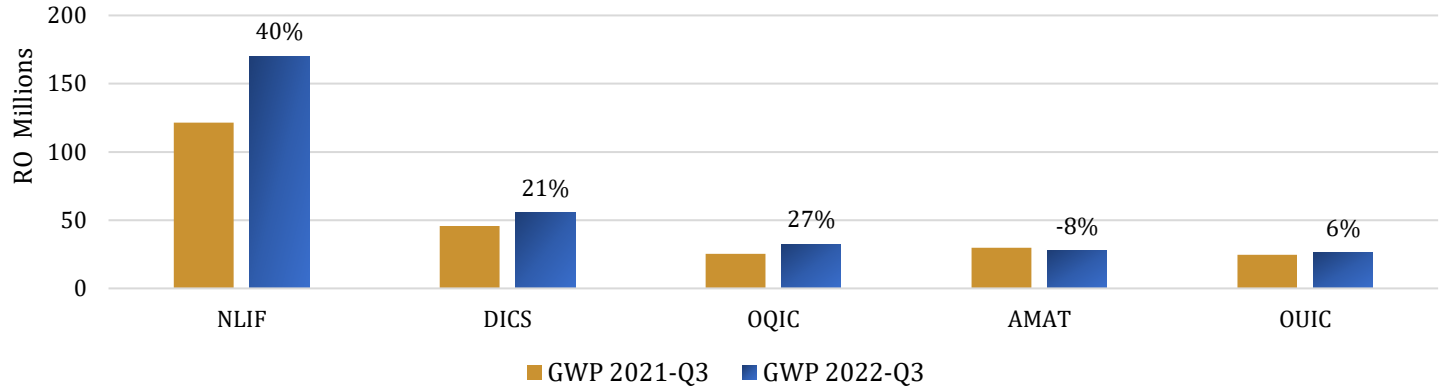
For the first 9 months of 2022, the overall written business in Omani sultanate was recorded to be RO 397 million which is a 24% increase compared to the same period previous year. (2021-Q3: RO 321 million). All companies experienced a growth in premiums except AMAT which has shown a slight decrease.

The TOP 5 insurers in terms of GWP amounted to RO 312 million (2021-Q3: RO 247 million) which amounts to 79% (2021-Q3: 77%) of the overall market.

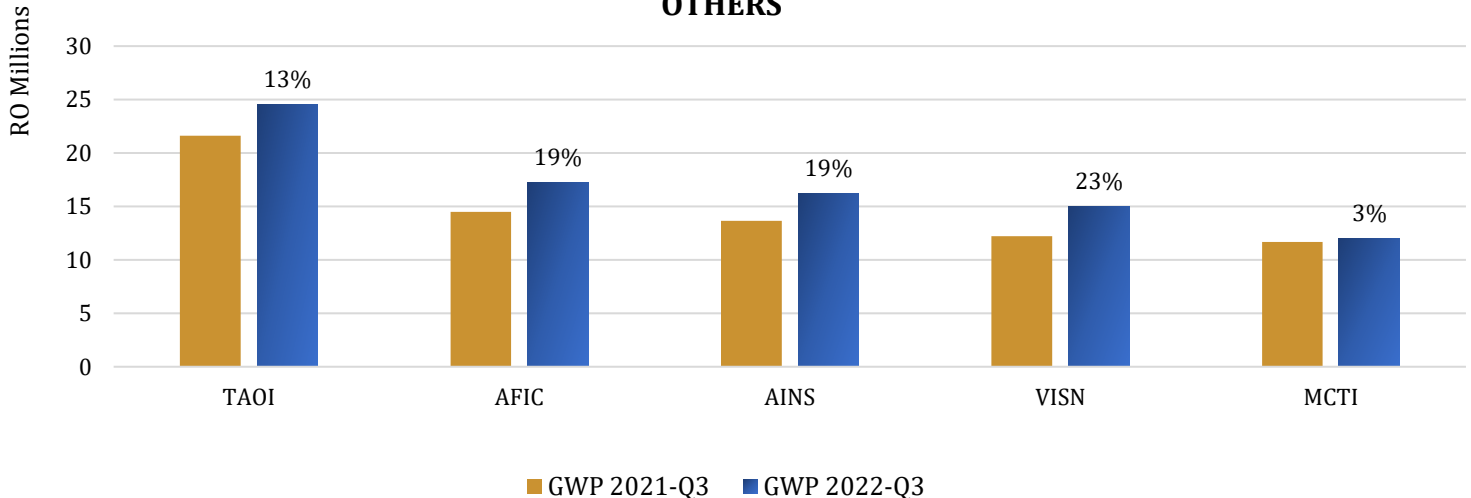
Large growth of NLIF which is due to acquisition of RSA Middle East operations in Q3, which are now consolidated with them. This would mean a shift from unlisted to listed insurance companies and also an increase in overseas business as earlier RSA Middle East was previously not consolidated in Oman. Excluding RSAME the GWP growth of NLIF is 11%.

NLIF exhibited the highest GWP growth rate of 40%, while AMAT observed a decline of 8%.

### TOP 5



### OTHERS





## Net Earned Premiums

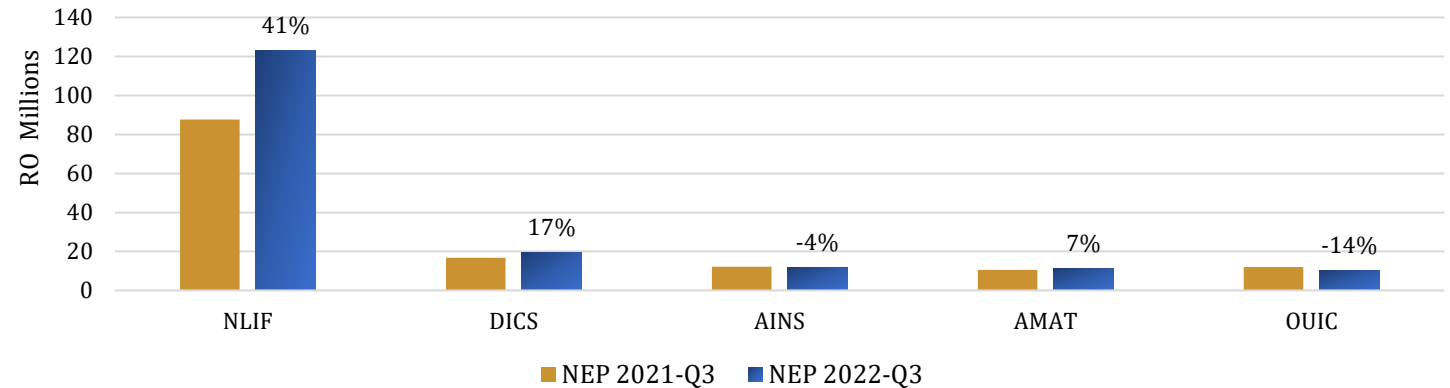
The overall net premium earned by the insurance sector during the first 9 months of 2022 amounts to RO 204 million depicting a 24% increase as compared to the same period for the previous year (2021-Q3: RO 165 million).

The cumulative net earned premium for the top 5 companies adds up to RO 176 million which is 86% of the market in 2022-Q3. (2021-Q3 : RO 139 million; 84%)

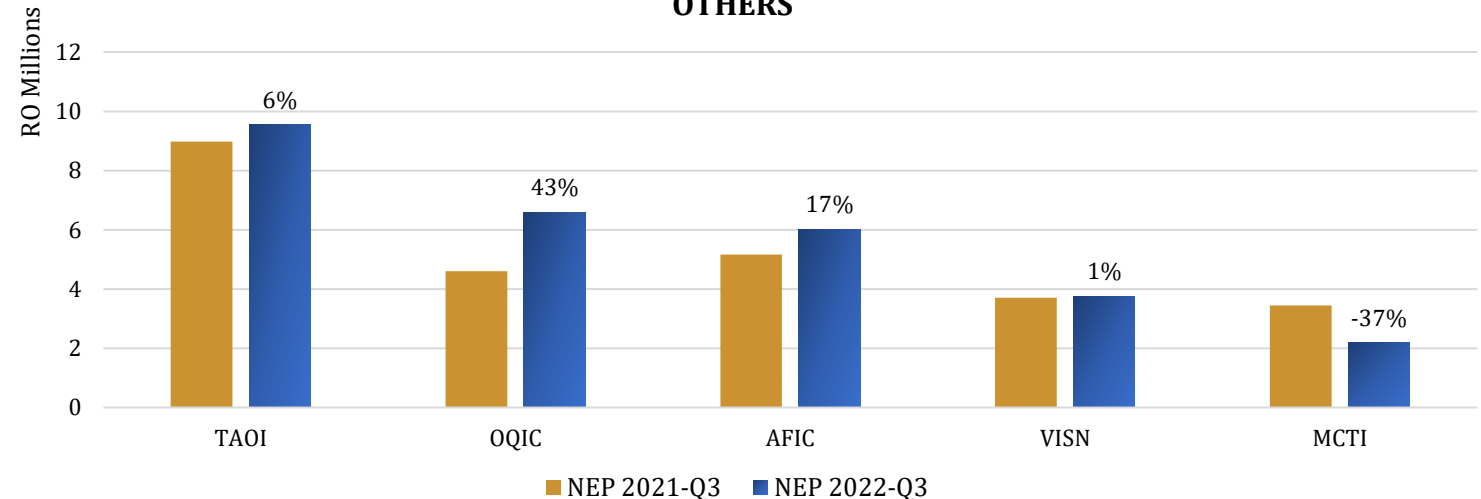
Consistent with GWP, NLIF is the market leader in terms of recording highest NEP of RO 123 million where some portion is earned outside Oman.

As depicted, OQIC exhibited a growth of about 43% while MCTI experienced the biggest decline in net earned premium of 37% when compared with the corresponding period of 2021.

### TOP 5



### OTHERS

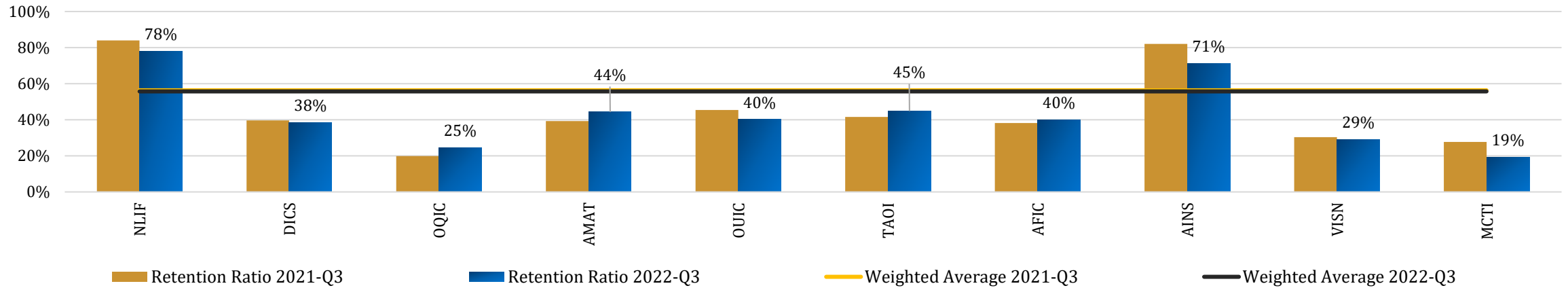






## Retention Ratio

### RETENTION RATIO



The retention ratio has been calculated as a ratio of net written premium to gross written premium.

The weighted average retention ratio for the Insurance sector overall stood at 56% for the 2022-Q3 which is a slight drop from the same period last year. NLIF reflects the highest retention of 78% among the listed companies while MCTI depicts the lowest retention of 19%.

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.

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

The analysis is sorted based on Gross Written Premium for 2022-Q3



## Profit Before Tax

The overall profit recorded by the Insurance companies in the Sultanate of Oman amounted to RO 17 million for the first 9 months of 2022 which is a 17% decline from the corresponding period previous year (2021-Q3: RO 21 million).

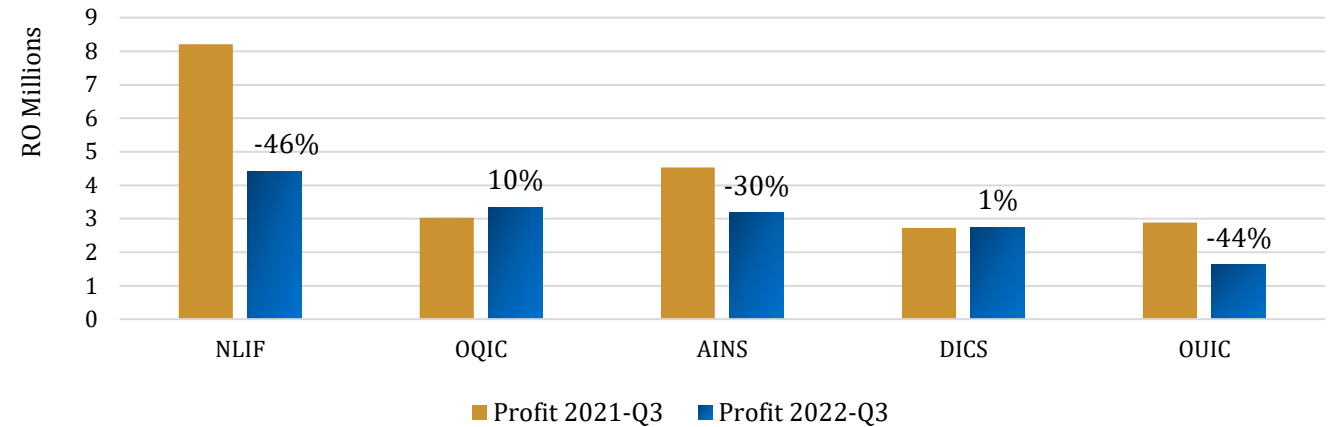
If NLIF is excluded from this analysis, the profit increases by 3%.

NLIF booked the highest profit amounting to RO 4 million. However, this is a decrease of 46% from the previous year (2021-Q3: RO 8 million). NLIF contributes 25% of the overall profit recorded by industry in 2022-Q3. The drop was high specifically due to one-time impacts on investment income and integration expenses due to the acquisition.

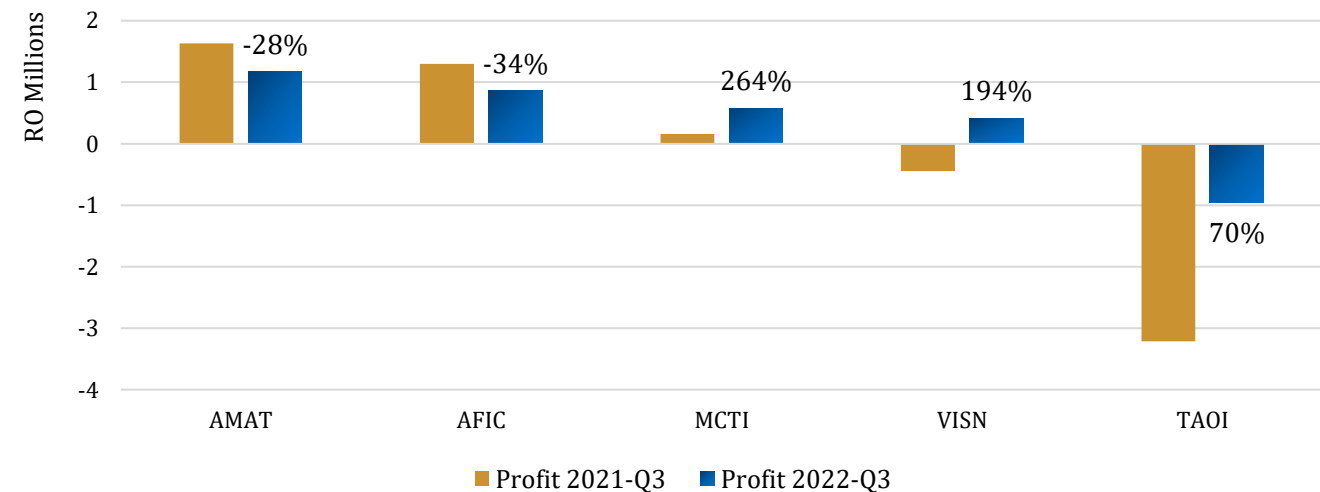
The highest profit growth was recorded by MCTI of about 264% while the largest decline of 46% for the period was recorded by NLIF.

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

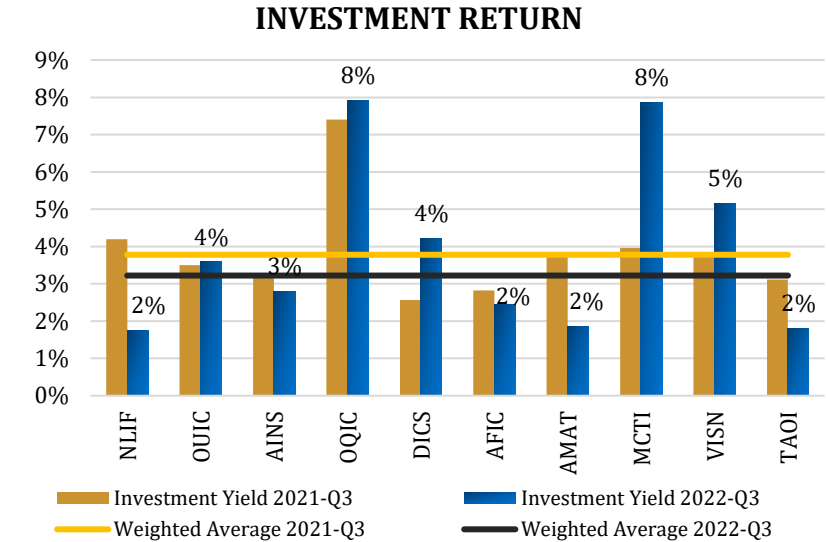
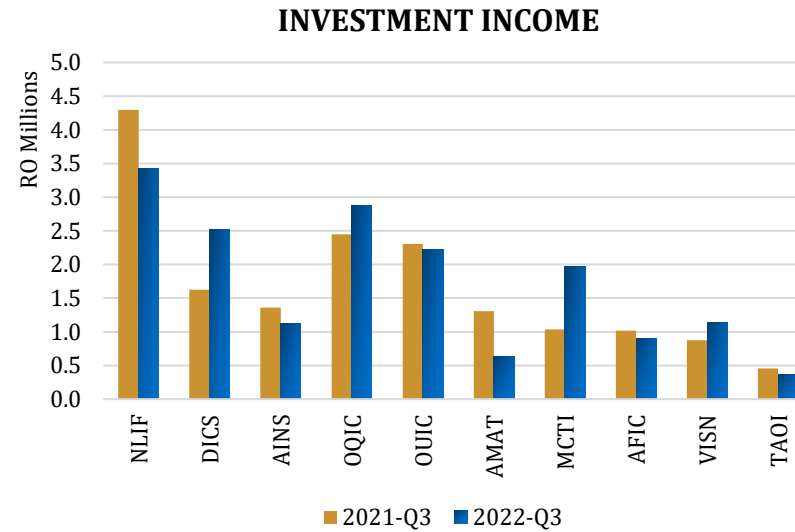
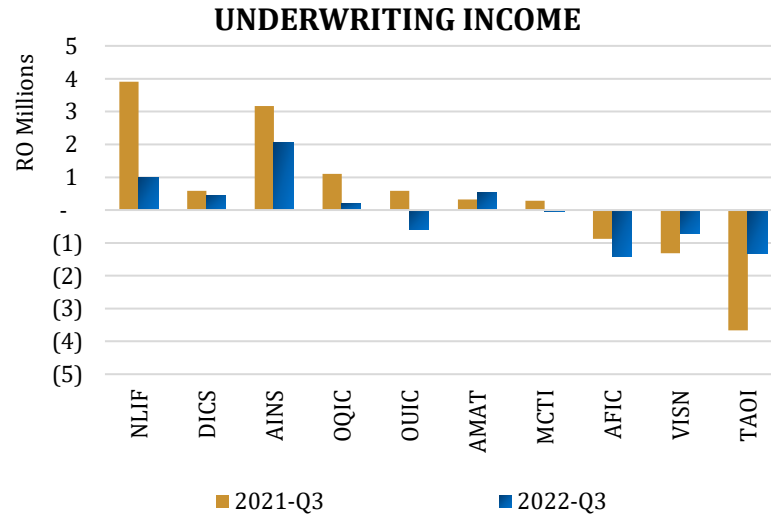
### TOP 5 COMPANIES BY PROFIT



### OTHERS



## Profit Before Tax



The first graph demonstrates the underwriting income earned by each of the companies over the first 9 months period of 2022 vs 2021. Only half of the listed companies have recorded profits from their underwriting activities in 2022-Q3. This is a downturn compared to the same period the previous year. 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 first 9 months of 2022. NLIF has recorded the highest investment income however it has decreased in comparison with 2021-Q3. 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-Q3 has increased by 3% as compared to corresponding period in 2021, however a drastic decrease of 96% is reflected in the underwriting while comparing it to corresponding period of 2021.

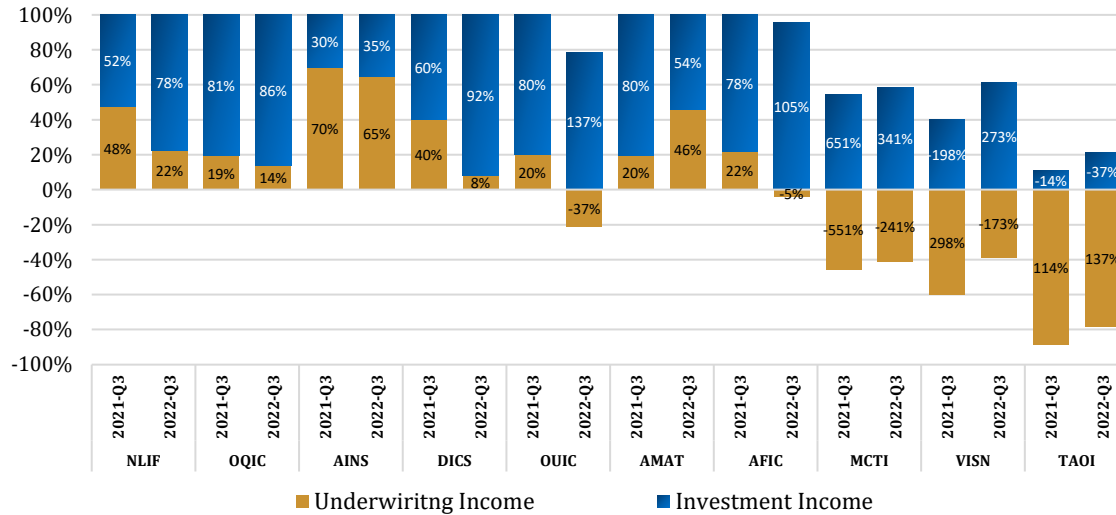
Lastly, the investment return is shown, calculated by dividing the investment income from nine months ended 2022-Q3 by the average of opening and closing invested assets of the period. The highest investment yield is exhibited by OQIC and MCTI (8%) while the investment yield for all other companies hovers close to the industry average of 3%.

The graphs are sorted in descending order of 2022-Q3 Profit.

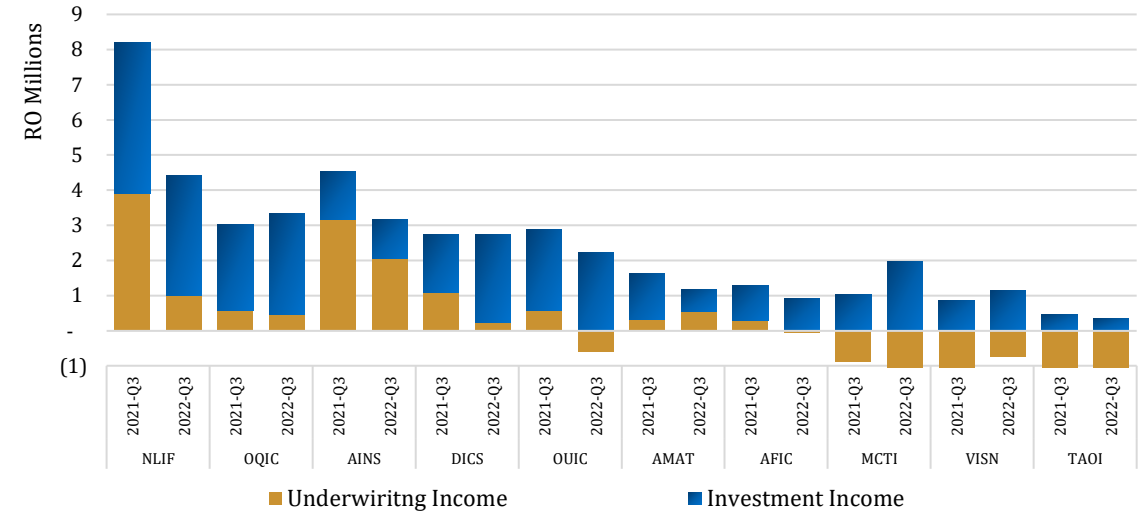


## Profit Before Tax

**PROFIT COMPOSITION - UNDERWRITING & INVESTMENT INCOME**



**PROFIT COMPOSITION - 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 first 9 months of 2022 amounts to RO 0.18 million (2021-Q3: RO 4.1 million) and RO 17.2 million (2021-Q3: RO 16.7 million) respectively.

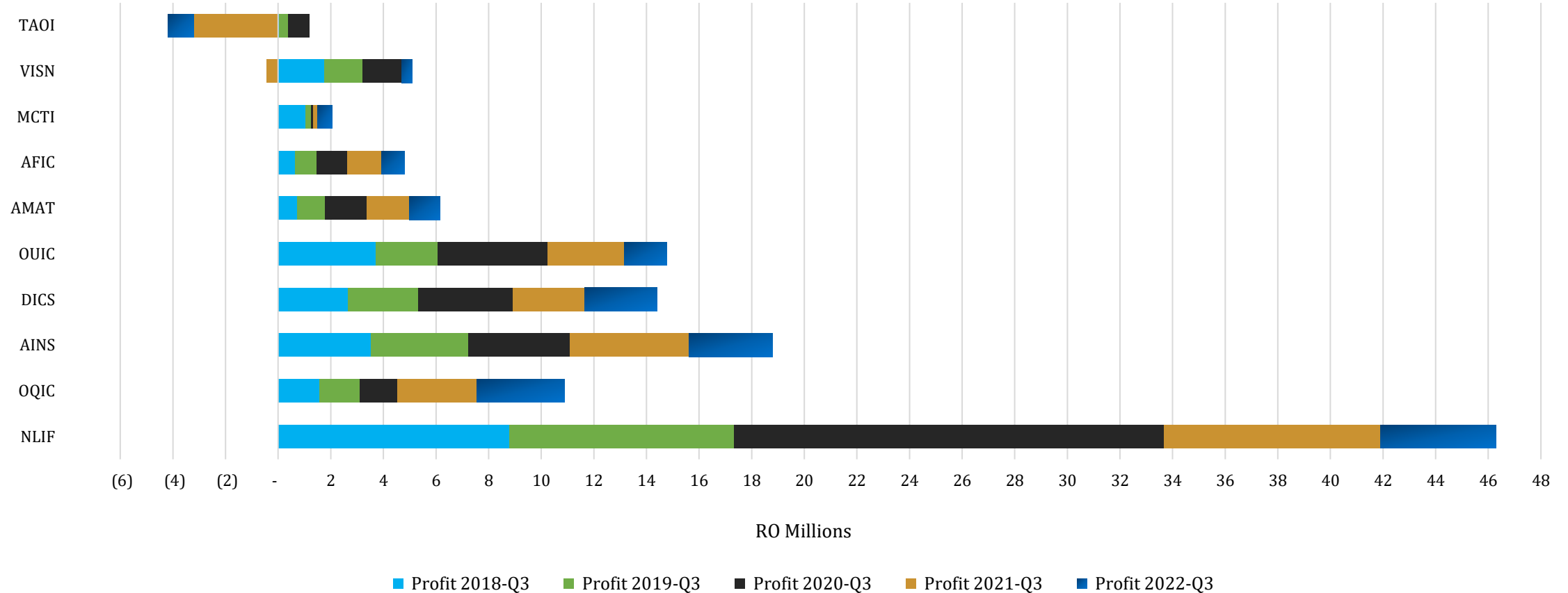
For all the listed Companies operating in Oman, it can be observed that Investment Income is a major contributor for generating profits. The companies which have generated losses from their underwriting activities have been able to recoup from their investment income. This shows the importance of investment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

The analysis presented here is sorted by 2022-Q3 Profit.



## Profit Before Tax

### 5 YEAR PROFIT COMPARISON



*The analysis presented here is sorted by 2022-Q3 Profit.*





## Profit as a Percentage of Net Earned Premium

The Profit Margin of the Oman Insurance Industry stands at around 8% for the first 9 months of 2022 (2021-Q3: 13%) which is a decline from the corresponding period of the previous year.

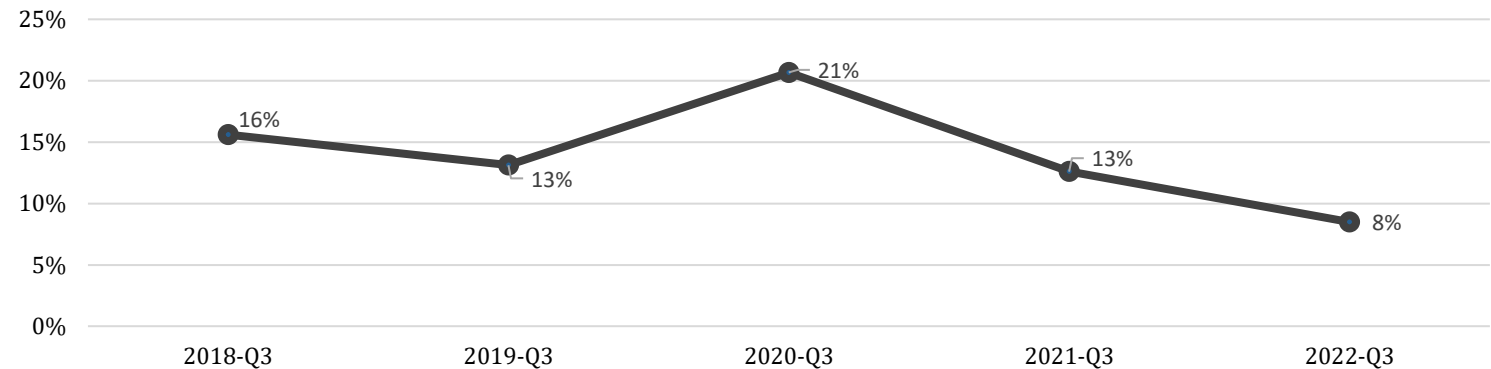
As depicted, OQIC has the highest profit margin, followed by AINS and MCTI which are significantly above the industry average. TAOI has lowest profit margin however it has shown a notable improvement.

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

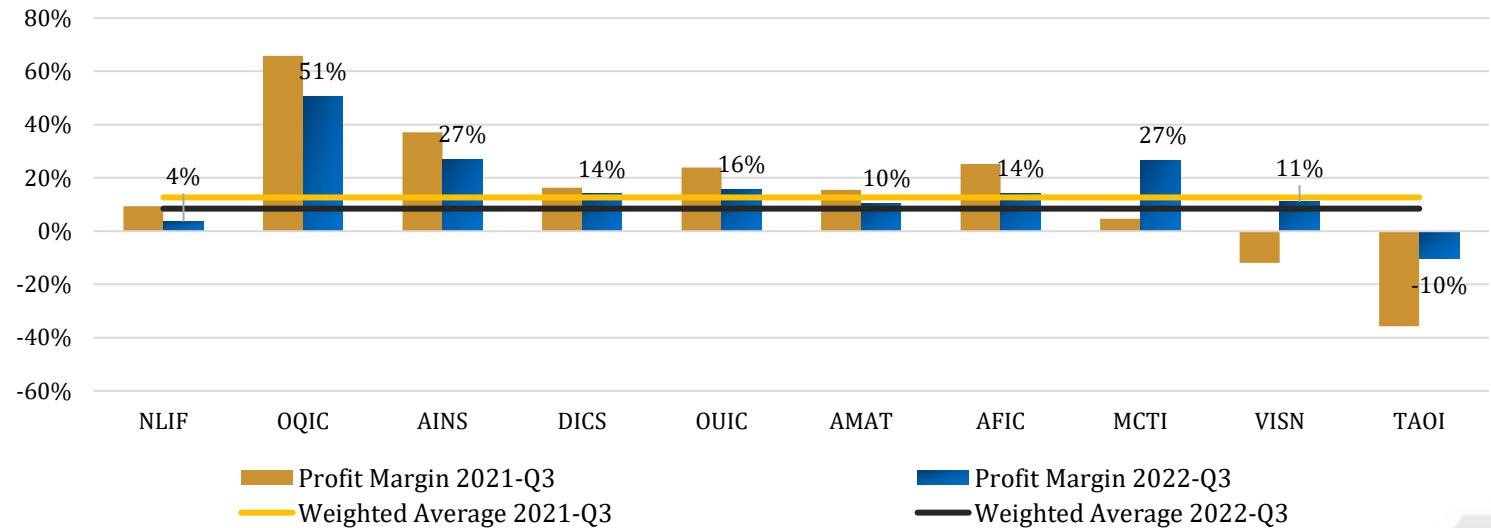
The first graph shows the profit margin over the last five years. There was a noticeable spike in 2020. Since then, the profit margin has continued to decrease and now stands at 8% which is the lowest over the review period.

The above analysis is sorted in decreasing order of 2022-Q3 Profit.

PROFIT AS A % OF NET EARNED PREMIUM - TREND



PROFIT AS % OF NET EARNED PREMIUM





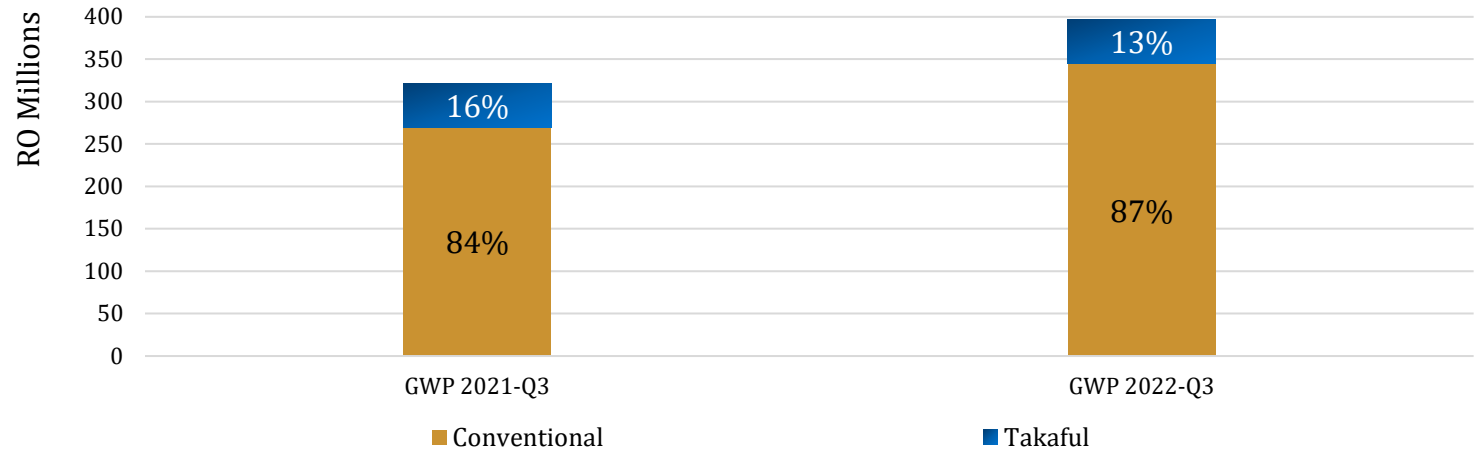
## Conventional Vs Takaful

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 slight decline in the market composition between 2021-Q3 and 2022-Q3.

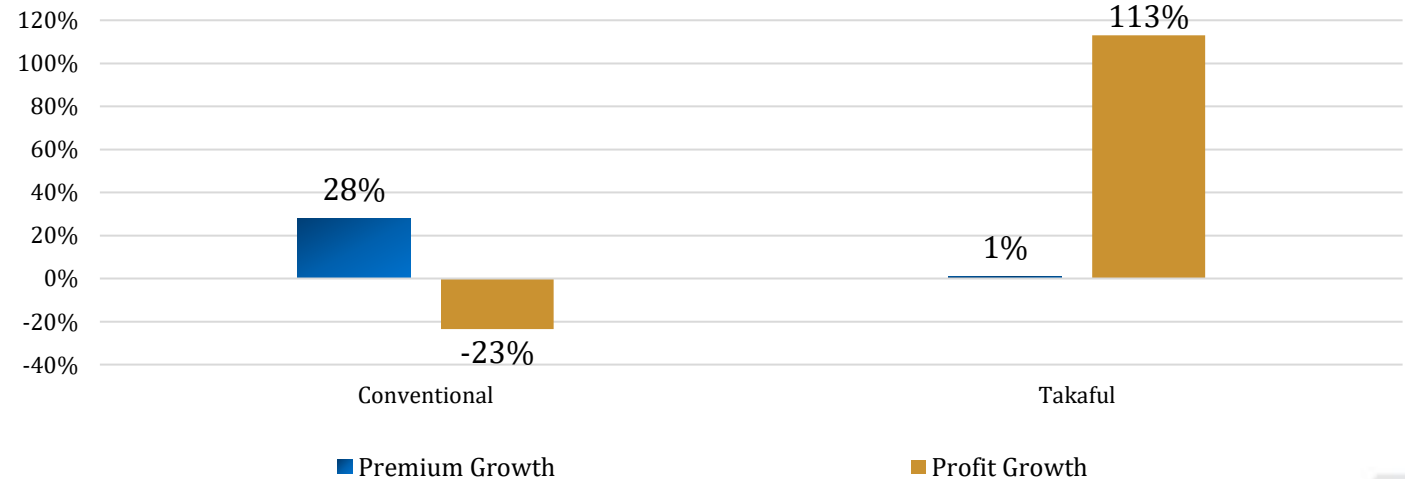
While there has been a 28% increase in premium for Conventional business, they have exhibited a 23% drop in profits.

On the Takaful front, there has been a 1% growth in premium while profits have increased remarkably by 113%. This is due to improvement in profits exhibited by TAOI resulting from improvement in underwriting.

### TAKAFUL & CONVENTIONAL BUSINESS DISTRIBUTION



### BUSINESS GROWTH FOR CONVENTIONAL & TAKAFUL INSURERS





## Premium Benchmarked based on Profitability 2022-Q3

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 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	4	↓
OQIC	3	2	↑
AMAT	4	6	↓
OUIC	5	5	→
TAOI	6	10	↓
AFIC	7	7	→
AINS	8	3	↑
VISN	9	9	→
MCTI	10	8	↑



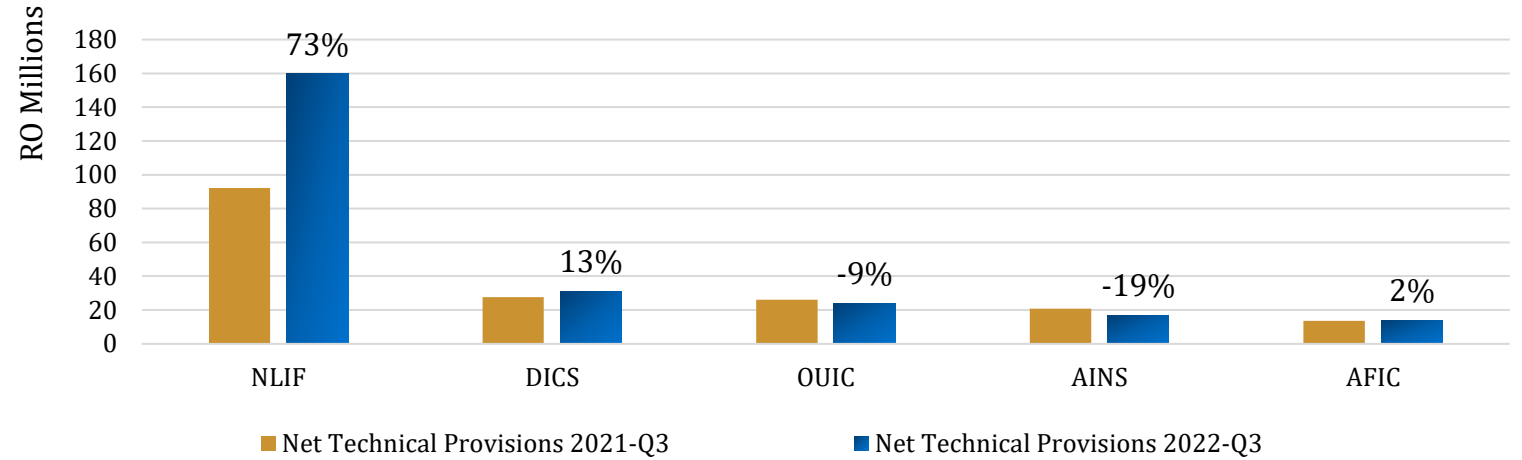
## Net Technical Provisions

Total net reserves as at September 30, 2022 amount to RO 293 million which is a 30% increase compared to the reserves as at September 30, 2021 (RO 225 million).

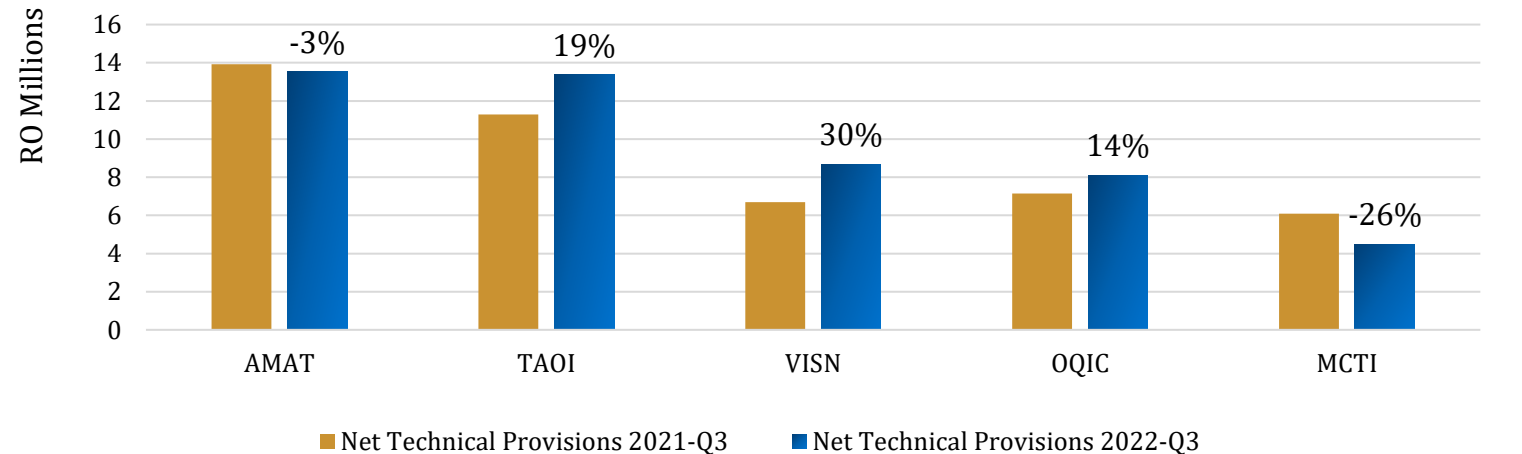
Out of all the listed companies, NLIF has the highest technical provisions, which is commensurate to the size and nature of its operations.

NLIF saw the highest growth in net technical provisions of 73%. Meanwhile the highest decline is seen by MCTI 26%.

### TOP 5 COMPANIES BY NET TECHNICAL PROVISIONS

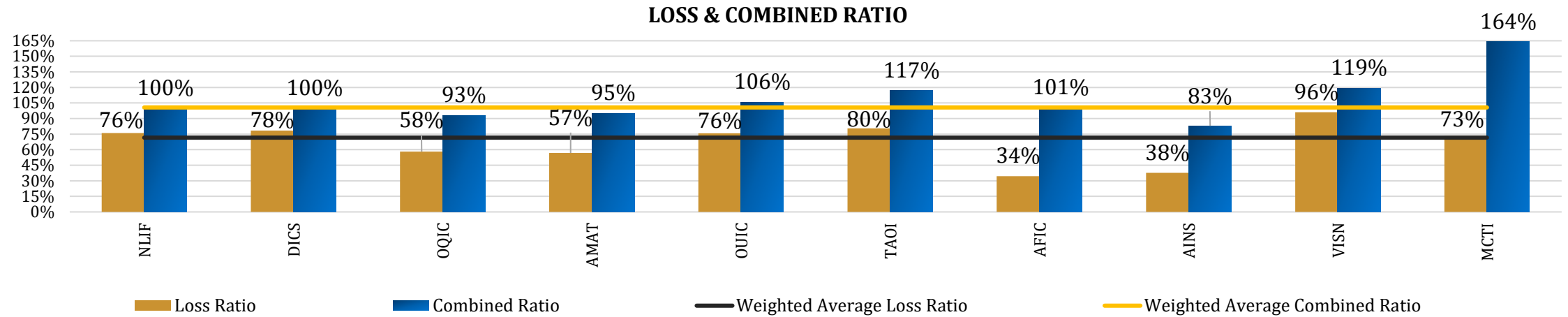


### REMAINING COMPANIES BY NET TECHNICAL PROVISION





## Combined Ratio Analysis



For the insurance companies in the Sultanate of Oman, the weighted average net loss ratio for the period 2022-Q3 is computed to be 72% which is an increase from the previous year 2021-Q3: 69%.

Most of the companies have demonstrated an increase in loss ratios which can be attributable to the overall prevailing economic conditions accompanied with the severe pricing competition and the high motor claims. VISN bears the highest loss ratio of 96% and AFIC bearing the lowest loss ratio of 34%.

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 weighted average combined ratio of listed companies in the Sultanate works out to be 101% (2021-Q3: 98%) with MCTI bearing the highest combined ratio of 164%, whereas the lowest combined ratio of about 83% is depicted by AINS. Combined Ratio is calculated as ratio of Net Incurred Claims along with G&A Expenses, Net Commissions and Other Expenses over Net Earned Premiums.

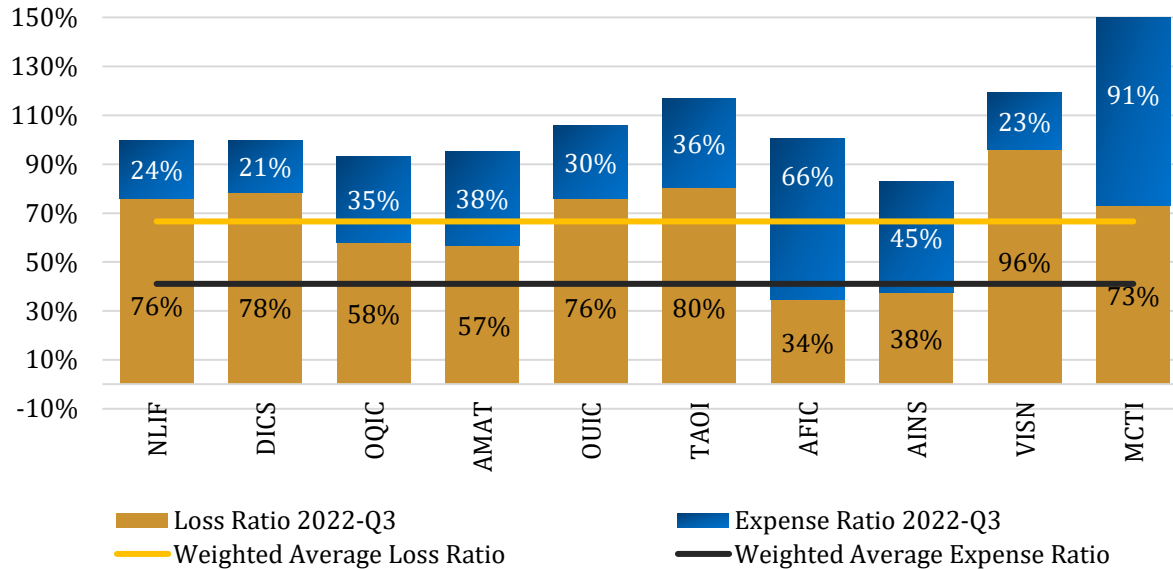
The analysis is sorted on the basis of Gross Written Premium for 2022-Q3



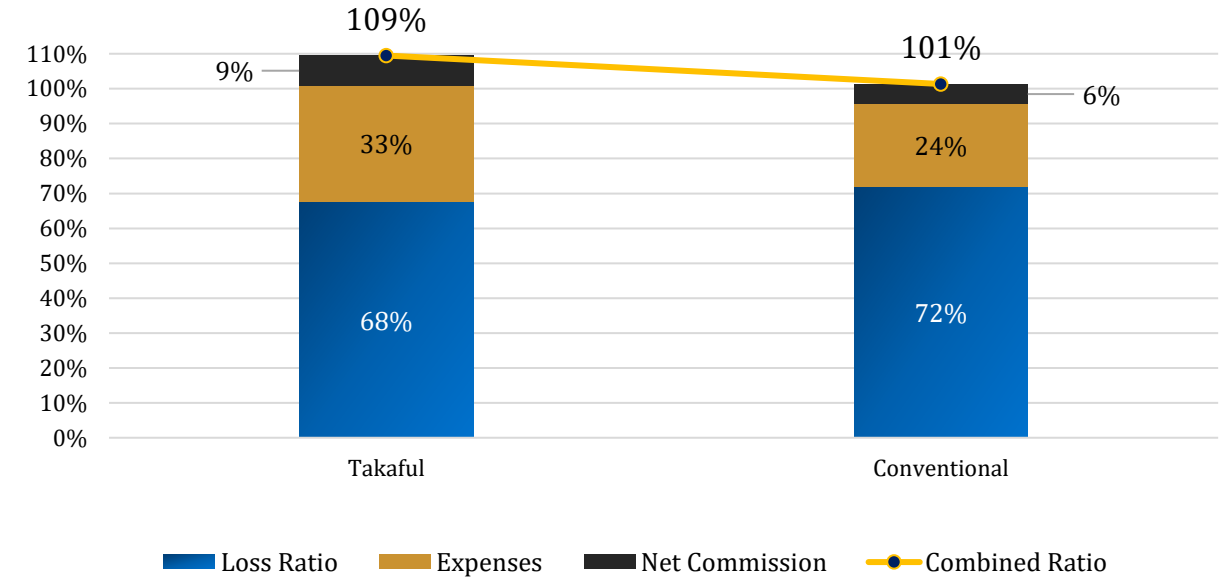


## Loss and Expense Ratio

### LOSS AND EXPENSE RATIO



### LOSS AND COMBINED RATIO PERFORMANCE - INSURER TYPE



The weighted average loss and expense ratio of the listed companies in Sultanate of Oman is computed to be 72% and 29% respectively. MCTI has experienced the most notable increase in expense ratio. The growth in loss ratios has resulted in the companies having combined ratios exceeding 100% indicating an underwriting deficit.

The weighted average loss ratio for takaful insurers is 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 is higher than that conventional companies.

The analysis is sorted on the basis of Gross Written Premium for 2022-Q3



## Expense Ratio

Considering G&A Expense as a proportion of Net Earned Premiums, MCTI bears the highest expense ratio of 109% followed by VISN having expense ratio of 63%. The remaining Companies all have G&A Expense ratios below 45%.

NLIF recorded the lowest expense ratio in the industry at 15% owing to its large premium volume. Larger companies generally tend to have lower expense ratio, as they have sufficient business to absorb the fixed cost base as is evidenced by the above.

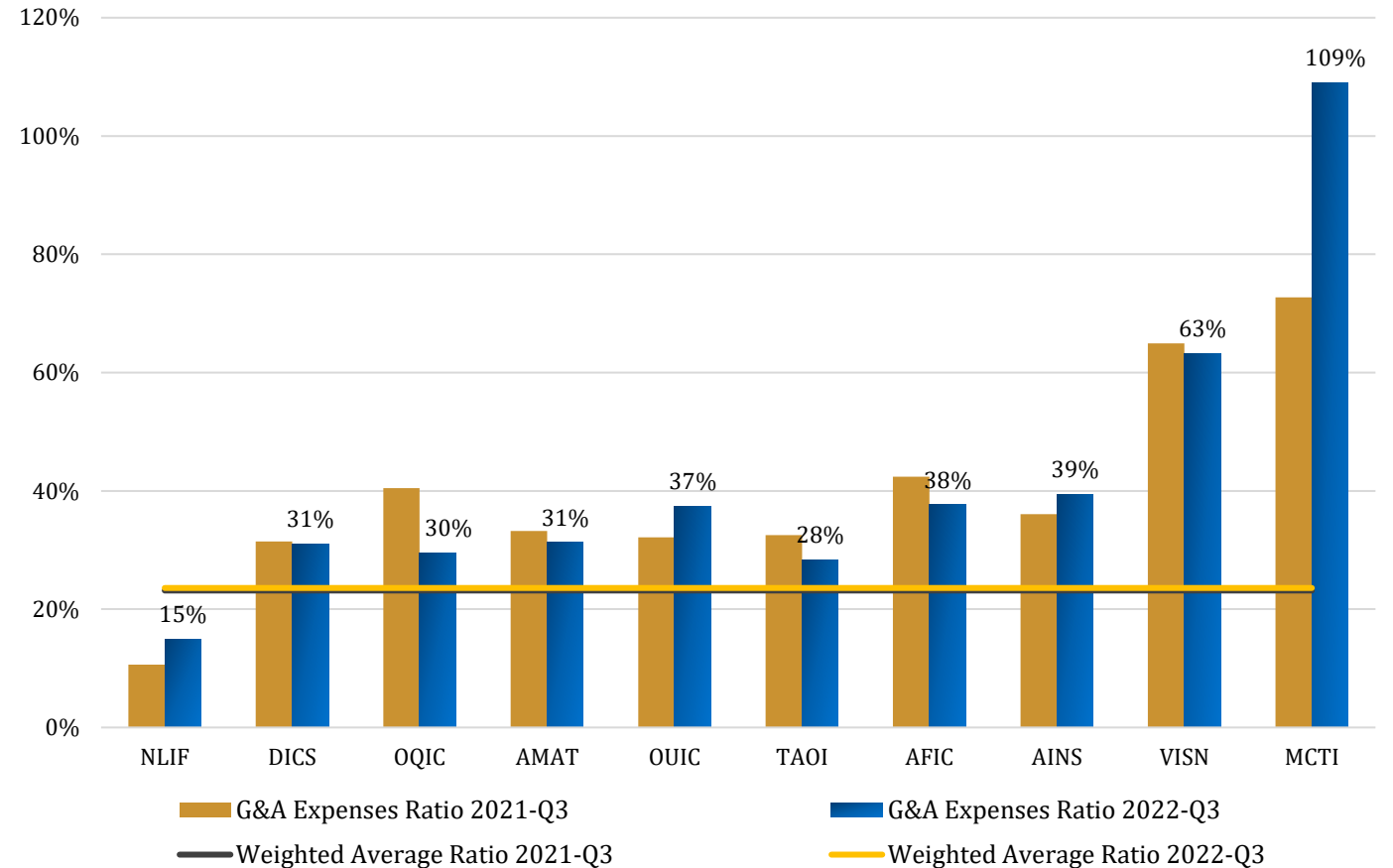
The weighted average G&A expense ratio as a proportion of net earned premium for the listed Insurance companies stands at 24% (2021-Q3: 23%). If the highest (MCTI) and lowest (NLIF) are excluded from the analysis, the G&A expense ratio works out to be 35%.

The expense ratio is worked out as:

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

*The graph is sorted with respect to Gross Written Premium for 2022-Q3 in descending order.*

**G&A EXPENSE AS A RATIO OF NET EARNED PREMIUM**





## Commission Expense Ratio

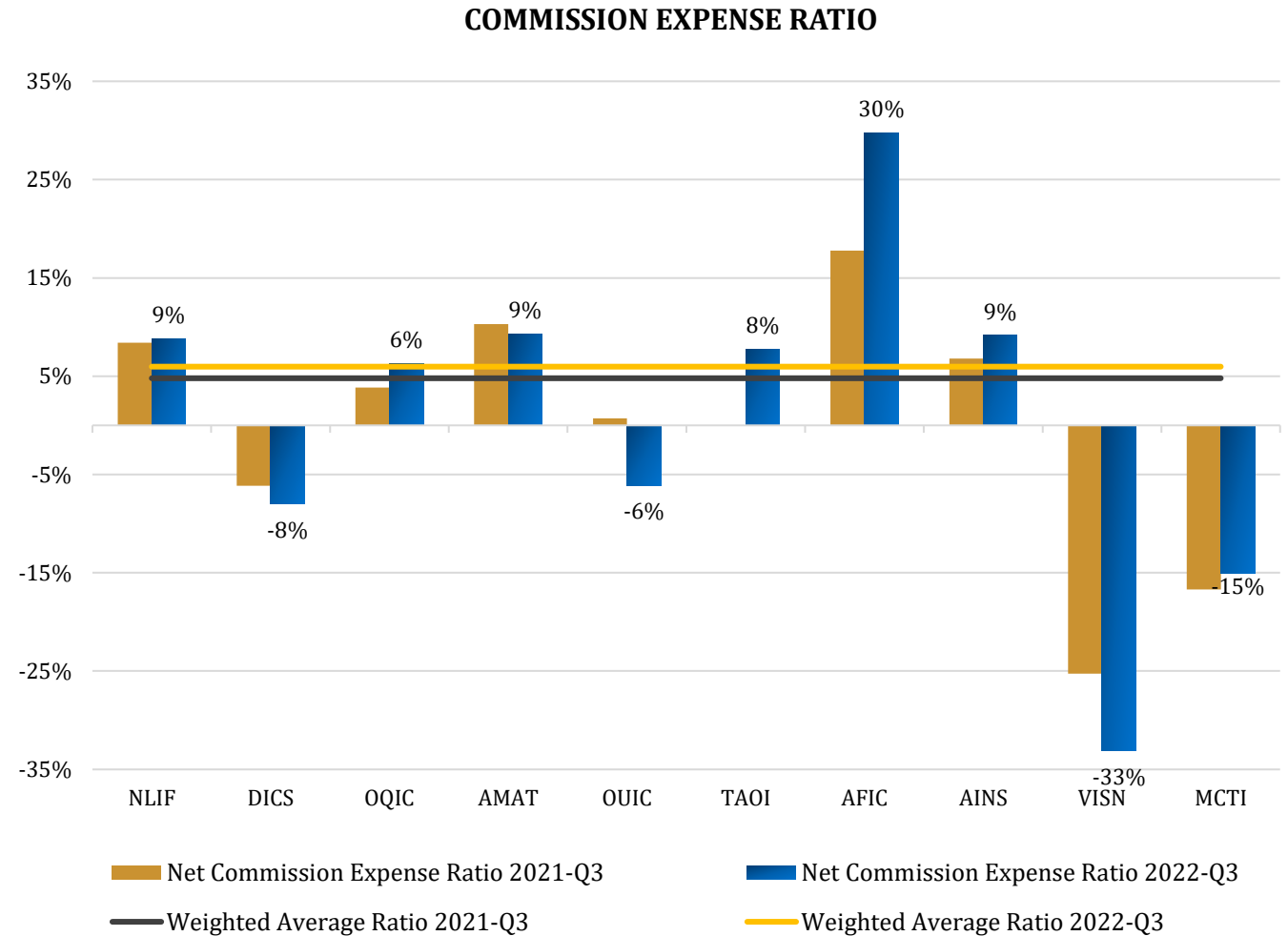
The average net commission ratio for the Omani Insurance Industry stood at 6% in 2022-Q3 which is a slight increase from 5% during the corresponding period of the previous year. The commission expense considered is the net commission (commissions paid less commissions earned); a negative ratio signifies 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 the low net commission ratio.

The highest commission expense ratio has been recorded for AFIC at 30% while VISN experienced the lowest ratio of -33%.

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 affecting 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-Q3.*





## Return on Equity

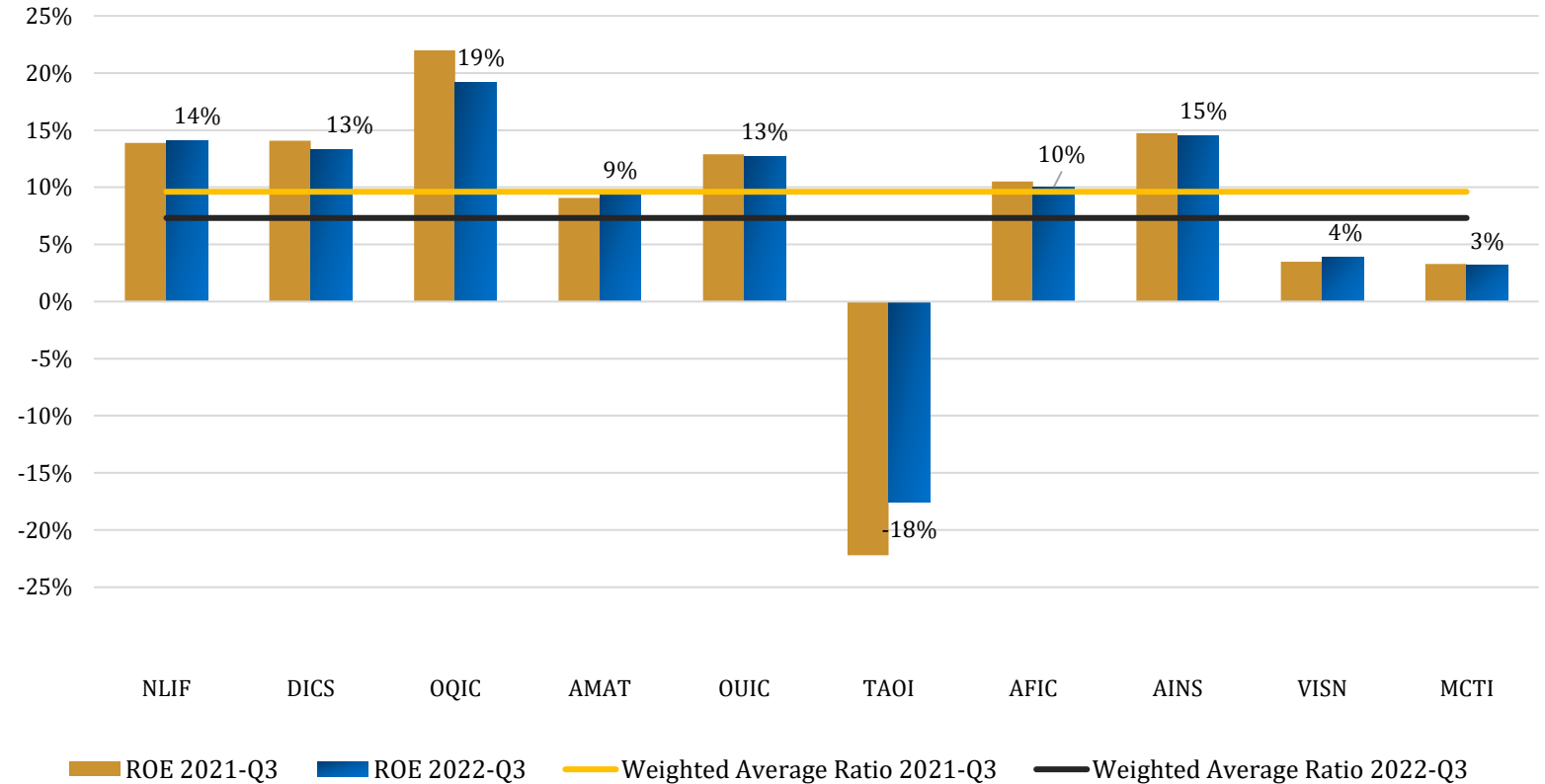
The weighted average Return on Equity (ROE) for the Insurance companies in Oman recorded to be 7% (2021-Q3: 10%). This decline can be attributed to the substantial decline in profits.

OQIC has the highest return on equity of about 19% whereas TAOI has recorded the lowest return of -18%.

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-Q3.

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

### RETURN ON EQUITY





## Earning Per Share

Company	EPS 2021-Q3	EPS 2022-Q3
VISN	-0.004	0.004
MCTI	0.013	0.029
AINS	0.038	0.027
OQIC	0.028	0.030
NLIF	0.027	0.012
OUIC	0.025	0.014
DICS	0.023	0.024
AMAT	0.016	0.008
AFIC	0.010	0.007
TAOI	0.007	-0.002

The listed insurance market experienced an overall decrease in earnings in 2022-Q3 as compared to the corresponding period of last year.







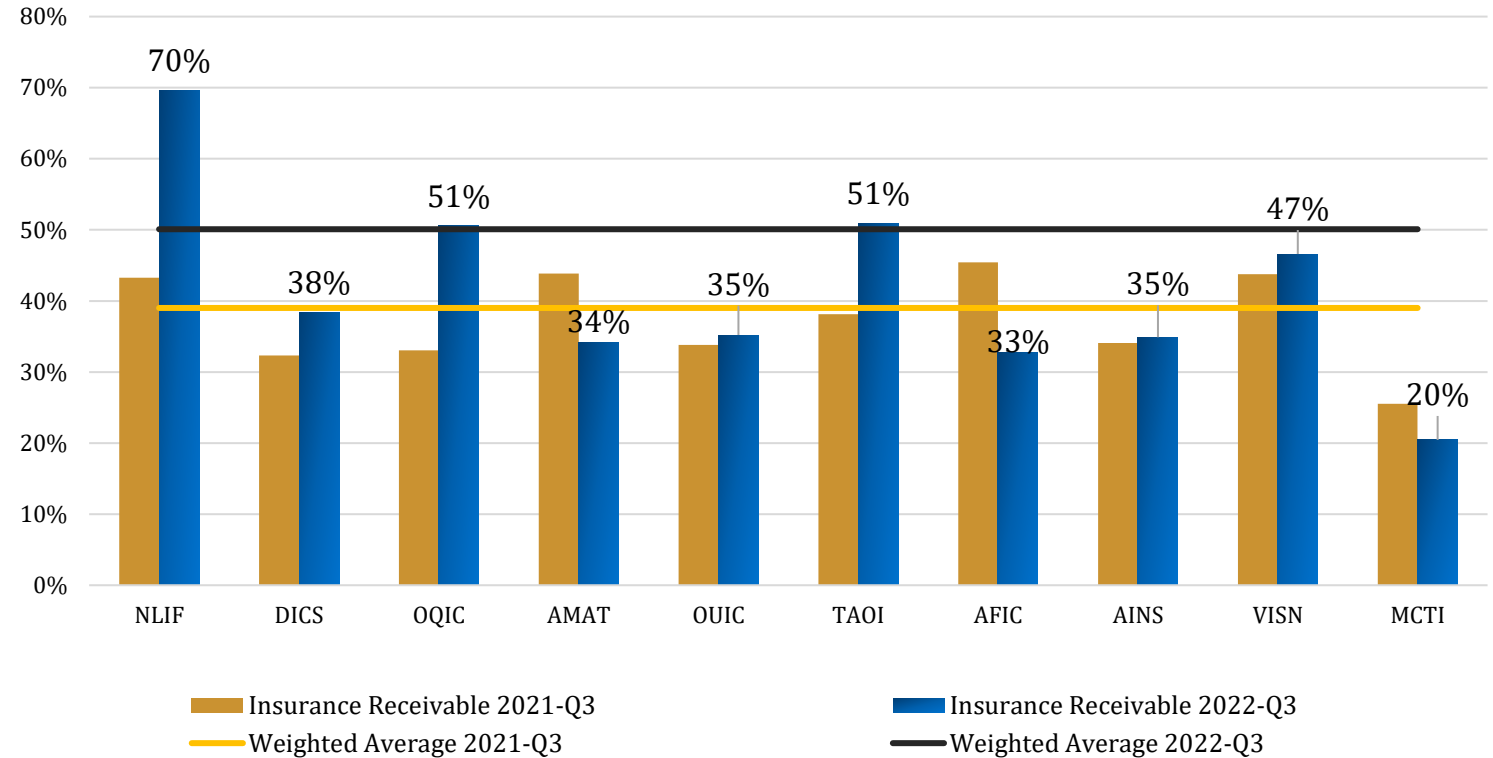
## Insurance Receivables

The insurance receivables are computed as a ratio of Insurance receivables of the company to gross written premium recorded over the last 12 months. The ratio depicts the collection performance of each company. This is particularly important for Non-Life segment which has a short tail. Quicker collection can also improve the liquidity position and favorably impact the investment income.

NLIF has the highest receivable ratio of about 70%, while MCTI recorded the lowest ratio of 20%. The weighted average insurance receivables ratio for the Omani industry stands at 20% as at September 30, 2022 which is a decline from 39% as at the same time last year.

The analysis presented above is sorted by decreasing gross written premium.

### INSURANCE RECEIVABLES

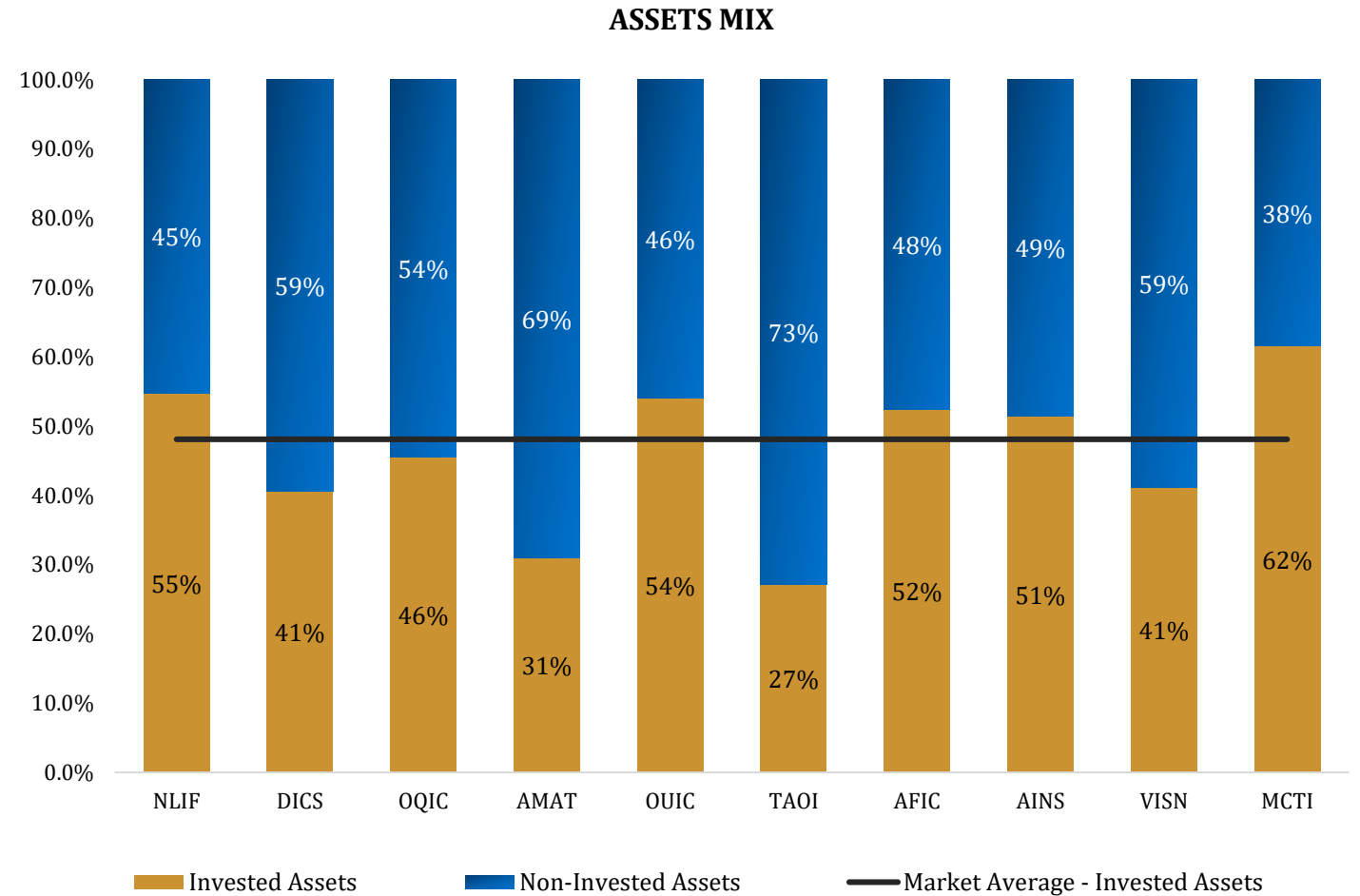




## Asset Mix

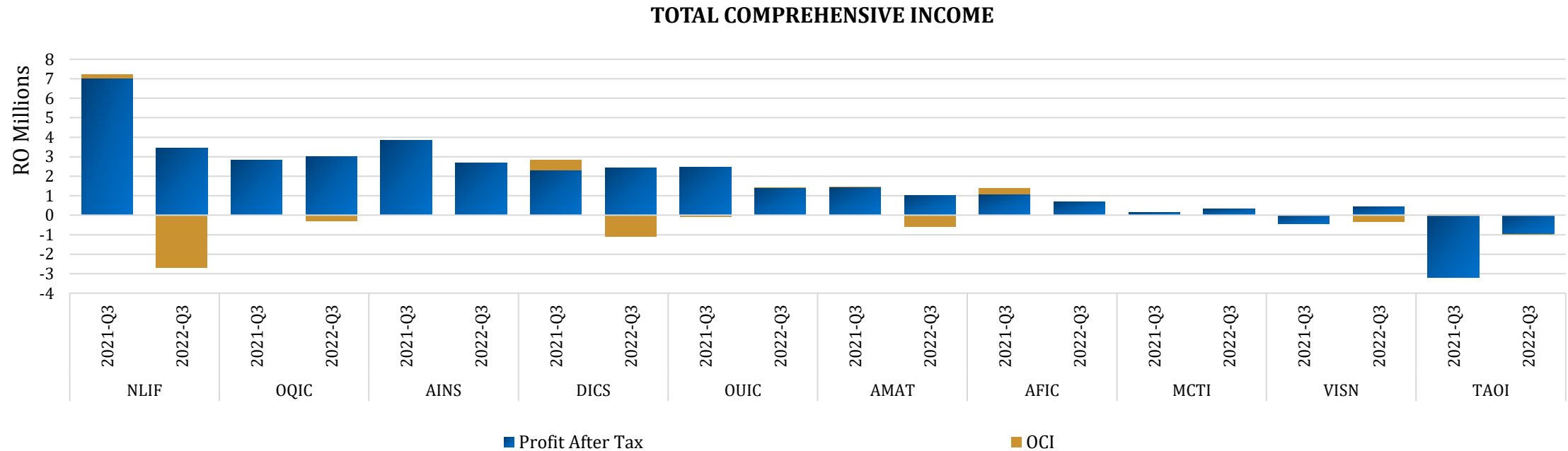
The Asset Mix compares the proportion of invested assets and non invested assets (such as insurance & reinsurance receivables) of the companies in Oman insurance industry as at September 30, 2022. MCTI has the highest proportion (62%) of invested assets, Whereas TAOI has the lowest proportion (27%) of assets invested. The market proportion of invested assets to total assets has been computed to be 48% (2021-Q3: 52%). The industry average is driven by NLIF, followed by DICS which have the highest amount of overall assets.

The above chart is sorted in descending order of GWP of 2022-Q3.





## Total Comprehensive Income



For the period 2022-Q3, the listed companies experienced a 604% 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 OUIIC have recorded a negative OCI.

The Total Comprehensive Income (Profit after Tax plus Other Comprehensive Income) for the first 9 months of 2022, exhibited a decline of 49%.

6 out of those 10 recorded losses in OCI for 2022-Q3.

The charts are sorted in descending order of 2022-Q3 Total Comprehensive Income.



## Net Profit Breakdown

Particulars	2021-Q3	2022-Q3	Variance
	RO Million	RO Million	RO Million
Total UW Profit	4.1	0.2	(3.9)
Investment Income	16.7	17.2	0.4
<b>Total Net Profit</b>	<b>20.8</b>	<b>17.3</b>	<b>(3.5)</b>





## Conclusion

Omani Listed Insurance companies wrote GWP of RO 397 million for the period 2022-Q3 (2021-Q3: RO 321 million) which is a growth of 24%. Our understanding is that two key reasons for this growth are:

- Large growth of NLIF which could be due to acquisition of RSA Middle East operations in Q3, which are now consolidated with them. This would mean a shift from unlisted to listed insurance companies and also an increase in overseas business as earlier RSA Middle East was previously not consolidated in Oman.
- Overall increase in rates as the loss ratios for Motor has been deteriorating and the industry players are trying to improve pricing.

As compared to the corresponding period of the previous year, 2022-Q3 saw an increase in the overall loss ratio of the market. The loss ratio stood at 72% (2021-Q3: 69%). This drastic increase in the loss ratio can be attributed to the unsustainable price competition and significant increase in motor claims as the claim activity restores to pre-pandemic levels.

Contrary to the growth in topline, a significant decline is observed in the bottom-line, where profits dropped from RO 21 million in 2021-Q3 to RO 17 million in 2022-Q3, a drop of 17% is reflected. In addition, if we remove the impact of NLIF from the profitability analysis, the result shows an increase of 3% from last year. The drop for NLIF was high specifically due to one-time impacts on investment income and integration expenses due to the acquisition.

With both underwriting and investment income declining over the period, there has been a significant deterioration in the Other Comprehensive Income with many of the listed companies recording a negative OCI.

The industry is under immense pressure from unhealthy competition and low rates and many of the participants are now trying to improve their rates especially for Motor. There has been increased consolidation in the industry and with the introduction of Risk Based Capital framework we might see further activity in this regards.





## Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman for the 2022-Q3. 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	OUIK
Oman Qatar Insurance Company	OQIC
Takaful Oman Insurance	TAOI
Vision Insurance Company	VISN





## About Our Team

Directors 3 staff			
UAE/Oman Actuarial  35 staff	KSA Actuarial  22 staff	Business Intelligence  9 staff	End of Service  5 staff
Medical  5 staff	IFRS-17  15 staff	HR Consulting  2 staff	Financial Services  1 staff
Support Functions: 22 staff			

**Total Strength 119**



**BADRI**

2022-Q3 – Omani Listed Insurance Companies

## Our Team



**Hatim Maskawala**



**Ali Bhuriwala**



**Omar Khan**



**Hassan Athar**



**Shahrukh Abdul Rauf**

## Our Feedback

Badri Management Consultancy is proud to present Oman's Insurance Industry Performance analysis 2022-Q3. 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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