



BADRI

Omani Listed Insurance Industry Performance Analysis Q3 2023



Date: December 20, 2023



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Q3 2023 – Omani Listed Insurance Companies

Awards & Achievements

Award winning strategic partner to the insurance industry with our 150+ talented staff in UAE, KSA and Pakistan 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.

Our Awards

- Strategic Partner to the Industry 2023, 2022, 2021 & 2020 by MIIA
- Best Actuarial/Risk Consultancy Firm of 2023, 2018 & 2016 by MENAIR
- Corporate Risk Manager of the Year 2023 by InsureTek



10th Middle East Insurance Industry Awards 2023

Newest Milestone Achieved:
Strategic Partner to the Industry
BADRI Management Consultancy





About BADRI

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 150+ talented staff spread across KSA, UAE and Pakistan 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.

What We Can Do For You!

Actuarial Consultancy

- Appointed Actuary
- End of Services
- Actuarial Support for General & Life Insurance
- IFRS 17
- Pricing, Reserving & Capital Modelling
- Actuarial Support for Motor & Medical Insurance

Strategic Consultancy

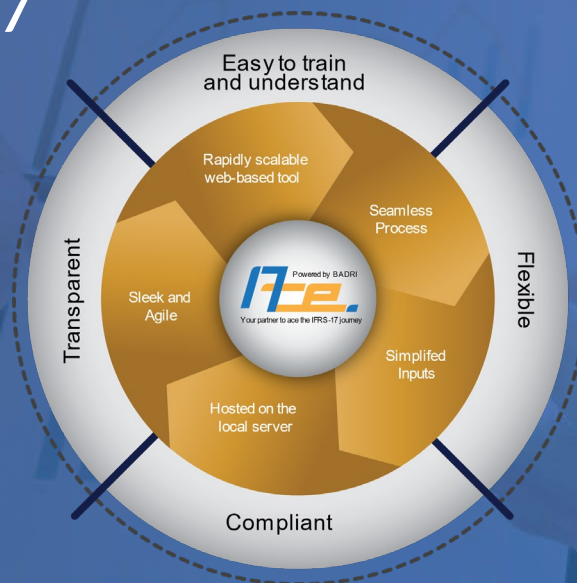
- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition
- Compliance and Forensics
- Advisory & Risk Management

Technology Consultancy

- Digitalization
- Business Intelligence
- Data Governance
- Big Data & Analytics
- IFRS 17 Systems



IFRS 17



ACE-17

ACE-17, our flagship IFRS 17 calculation engine, provides a seamless and cost-effective solution to generate the IFRS 17 financials and disclosures, saving your time and effort in your IFRS 17 reporting processes. Users can move through an intuitive, fully transparent, and flexible calculation process that is built to generate all the reporting requirements to deliver the IFRS 17 financial statements.

Financial Services

Our professional and dedicated team possess the expertise in financial services domain and offer wide range of services. Our core services are:

- IFRS Implementation
- Reconciliation Services
- MIS Reporting
- Backlog Accounting
- Loan Staff (Outsource)

Reconciliation Services

- Improve collections from insurance companies/ brokers and customers by reconciling the statement of account on regular basis.
- Accurate reporting of LRC and LIC balances. As currently most businesses struggled to isolate their receivables, payables, and commission from their net position.
- Reduce risk of error and compliance with regulation/ standard.

Loan Staff

- Availability of Qualified and competent staff immediately.
- No lengthy hiring process as no change in the headcount.
- Benefit from a consultant's knowledge of the market.
- Cost containment.



Invest In Your Team

métier – a BADRI Group Company is a renowned boutique Executive search and HR solutions consulting firm that works with teams across the globe, to develop a tailored HR plan and resolve your business challenges.

We take a personalized approach in ensuring that the solutions provided to you are in line with your company strategy to help you achieve your business goals through sustainable HR practices.

Since our inception in 2014, we have been recognized as Executive search leaders across multiple industries in the MENA region. métier's seasoned professionals focus on your HR transformation, while you focus on your business.

Our Competitive Edge

- Improving Workplace Productivity
- Increasing Value Through People
- Inspiring Partnerships

Our Service Offerings

- Strategic HR Consulting
- Digital HR Solutions
- Talent Acquisition Services
- Training Solutions



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

01.

Integrity

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

02.

Chasing Excellence

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

03.

Fostering Partnerships

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

04.

Breeding Excitement

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

05.

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

09. | Highlights From Q3 2023

10. | Revenues

15. | Profitability

21. | Assets

23. | IFRS 17
Comparison

30. | Conclusion

31. | Disclaimer & Others

2023 3rd Quarter Industry Analysis

Revenues

Insurance revenue

Insurance Service Results

Insurance Service Ratio

Conventional Vs Takaful

Profitability

Insurance Financial Results

Net Profit

Net Finance Income Comparatives

Net Insurance Result & Investment
Income Profit Breakup

Combined Ratio

Total Comprehensive Income

Assets, Capital & Liabilities

Asset Mix

IFRS 17 Transition

Transition in Profit

Percentage Attributable Expenses

Insurance Revenue Comparison

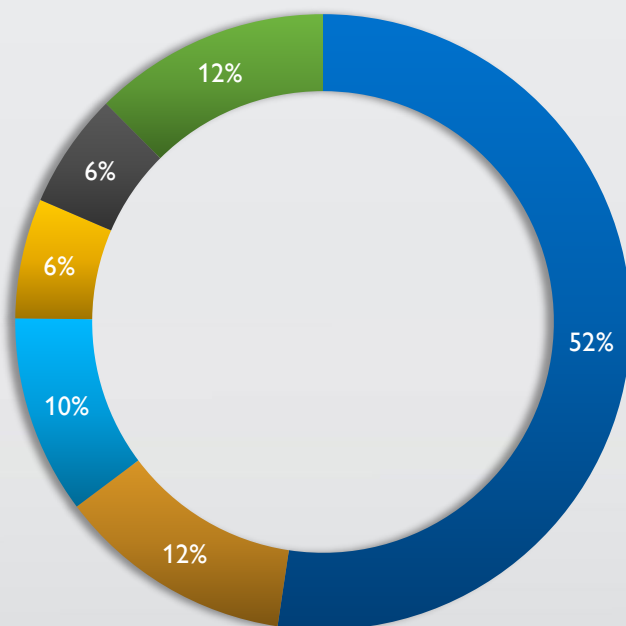
Finance Income / LIC comparison

Risk Adjustment / LIC



Q3 2023 Highlights

Top Line Q3 2023



■ LIVA ■ DICS ■ OQIC ■ TAOI ■ AMAT ■ Other

Insurance Revenue (Conventional Companies)

Q3 2023: **RO 384** million
Q3 2022: RO 274 million
Growth: 40%

Gross Contribution (Takaful Companies)

Q3 2023: **RO 54** million
Q3 2022: RO 52 million
Growth: 4%

Insurance Service Results (Conventional Companies)

Q3 2023: **RO 7.5** million
Q3 2022: RO 10.9 million
Growth: -31%

Profit Before Tax (Conventional Companies)

Q3 2023(IFRS 17): **RO 8.4** million
Q3 2022(IFRS 17): RO 13.9 million
Growth: -40%
Q3 2022(IFRS 4): RO 13.5 million

Profit Before Tax (Takaful Companies)

Q3 2023: **RO 1.8** million
Q3 2022: RO 0.3 million



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Revenue

Insurance Revenue - Listed Companies

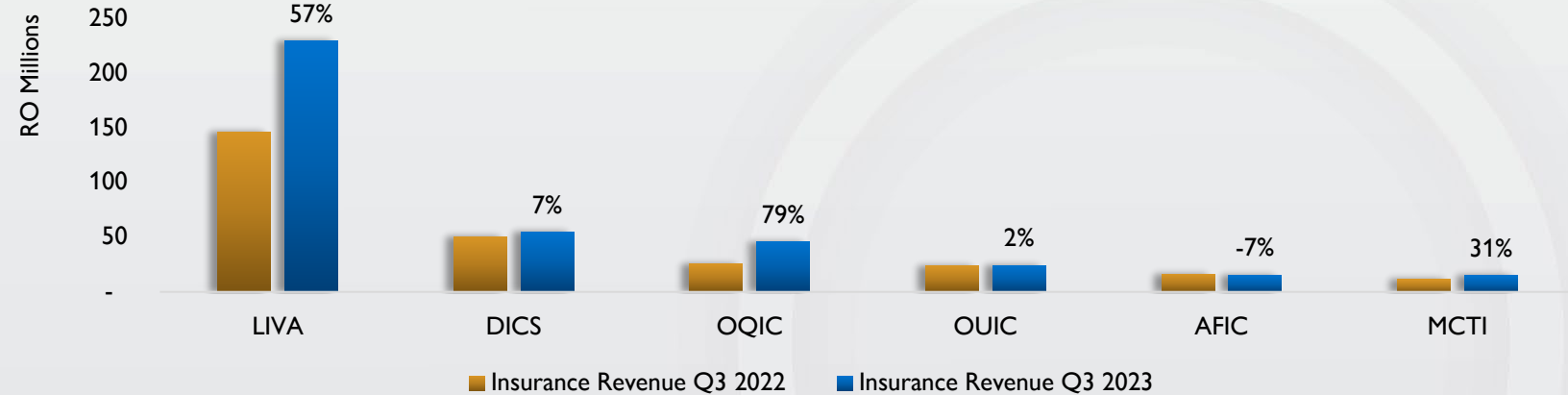


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Q3 2023 – Omani Listed Insurance Companies

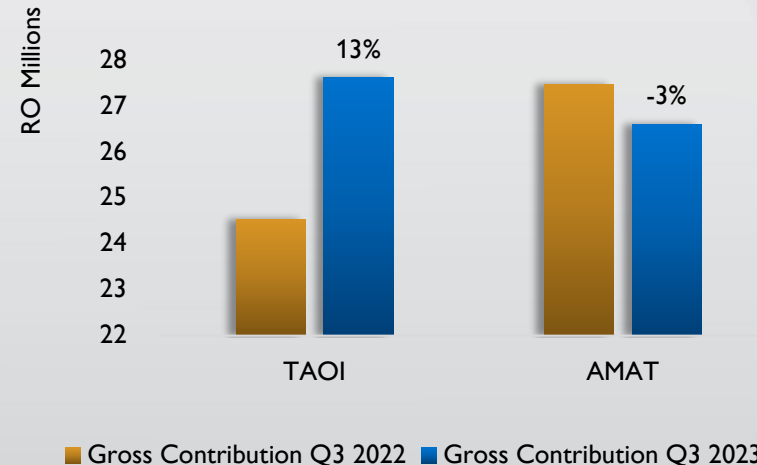
Insurance Revenue for the 6 listed conventional companies analyzed surged by 40%, reaching RO 384 million in Q3 2023, up from RO 274 million recorded in the same period last year. For 2 listed takaful companies the gross contribution increased 4% from RO 52 million in Q3 2022 to RO 54 million in Q3 2023. Formerly, the focus was on Gross Written Premiums (GWP) as a source of pride and industry rivalry in the Omani insurance sector; however, after adopting IFRS 17 this metric is no longer disclosed in conventional companies. Instead, the spotlight is now on Insurance Revenue, which can be likened to Earned Premiums. Notably, this figure is presented net of any Expected Credit Losses (akin to provisions for doubtful debts). For takaful companies, gross contribution is still being used as their top line measure.

LIVA (formerly known as NLIF and AINS) is the current market leader, representing 52% of the overall market, with its revenue valued at RO 230 million. However, it should be noted that this figure includes a proportion from overseas subsidiaries. As only the consolidated financial statements are reported, we have used these figures for our analysis. LIVA experienced the highest absolute growth rate of 57% in insurance revenue from RO 146 million in Q3 2022 to RO 230 million in Q3 2023, driven by their non-life portfolio. This growth is attributed to its acquisition of RSA Middle East operations in Q3 2022

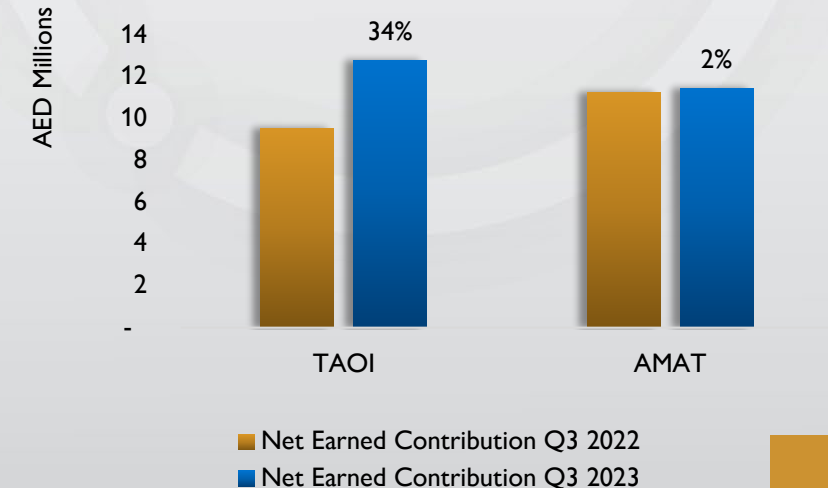
Insurance Revenue (Conventional Companies)



Gross Contribution (Takaful Companies)



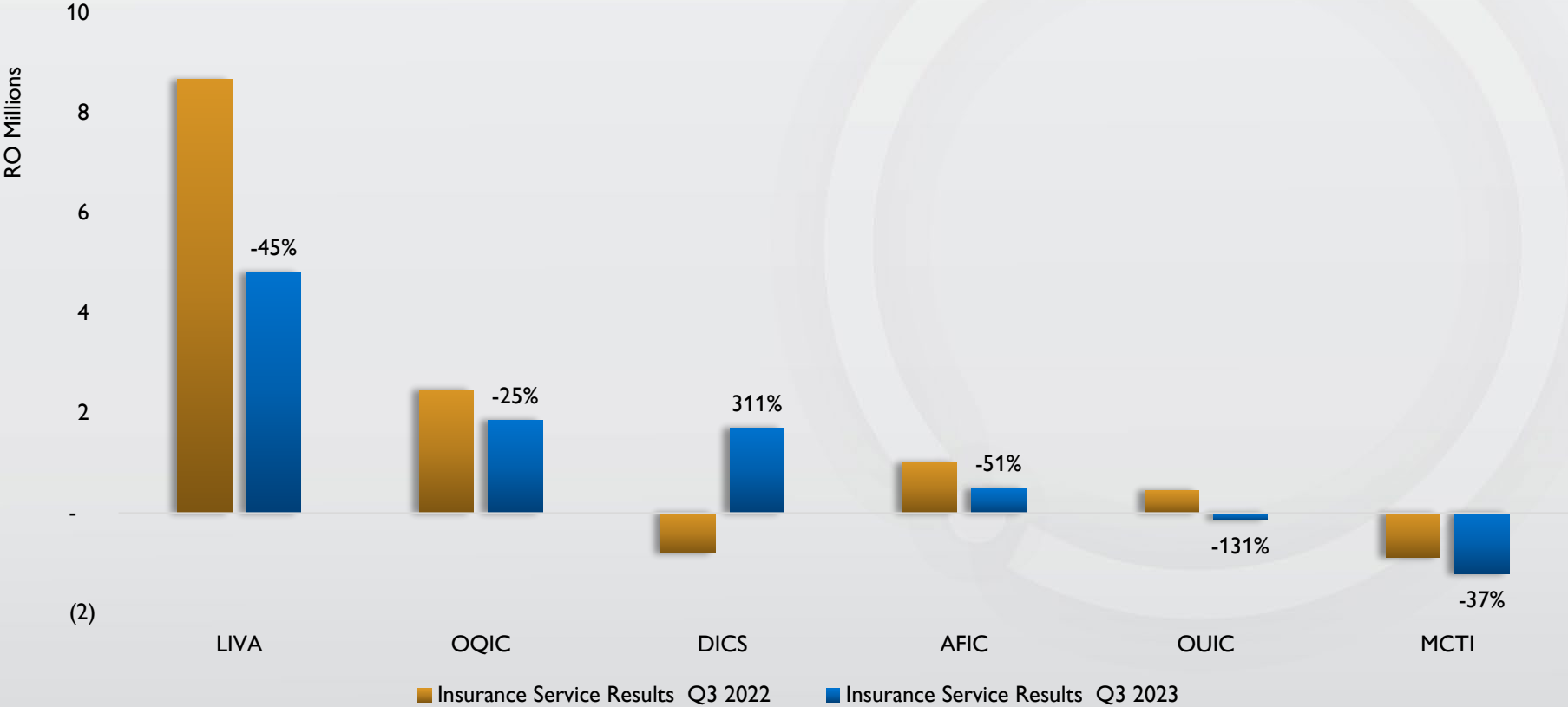
Net Earned Contribution (Takaful Companies)





Insurance Service Results for the analyzed 6 listed conventional companies experienced a 31% decline, decreasing from RO 10.9 million to RO 7.5 million in Q3 2023. The leading 3 companies in this regard, encountered a 19% decrease collectively, moving from RO 10.3 million to RO 8.4 million during the same period last year. Notably, DICS achieved the highest absolute growth of RO 2.5 million, while LIVA faced the most significant decrease, with a drop of RO 3.9 million.

Insurance Service Result

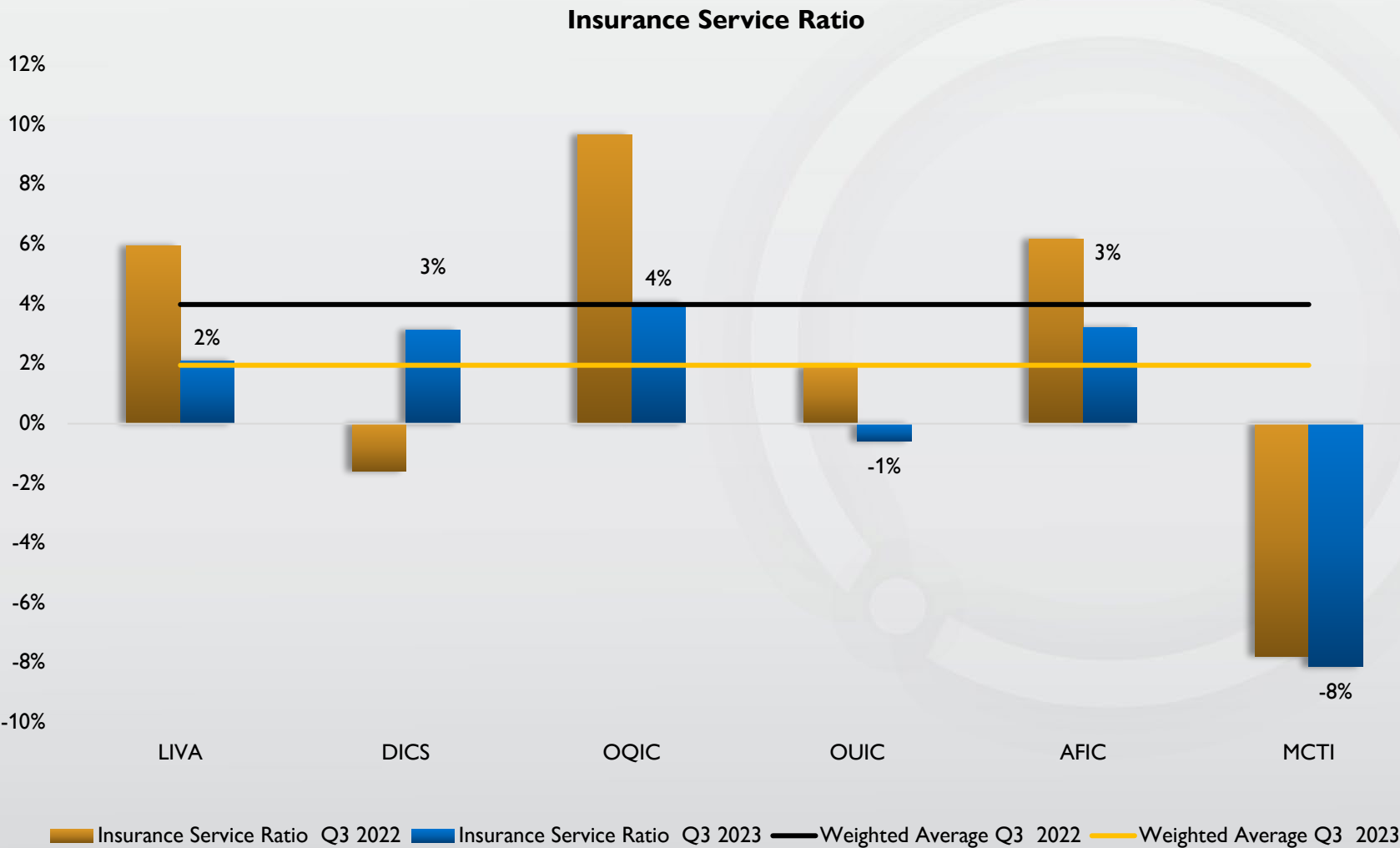


Insurance Service Ratio – Listed Companies



The Insurance Service Ratio for the examined companies declined from 4% in the previous year to 2% in Q3 2023. OQIC has the highest ratio at 4%, while MCTI displayed the lowest at -8%.

It's worth noting that the Insurance Service Ratio (calculated as Insurance Service Results divided by Insurance Revenue) can be interpreted as 100% minus the Combined Ratio under IFRS4. However, a notable distinction lies in our approach of considering Net Results and contrasting them against a value analogous to Gross Earned Premium. In the context of IFRS4, Insurance Service Results can be conceptualized as Underwriting Profits after accounting for expenses.



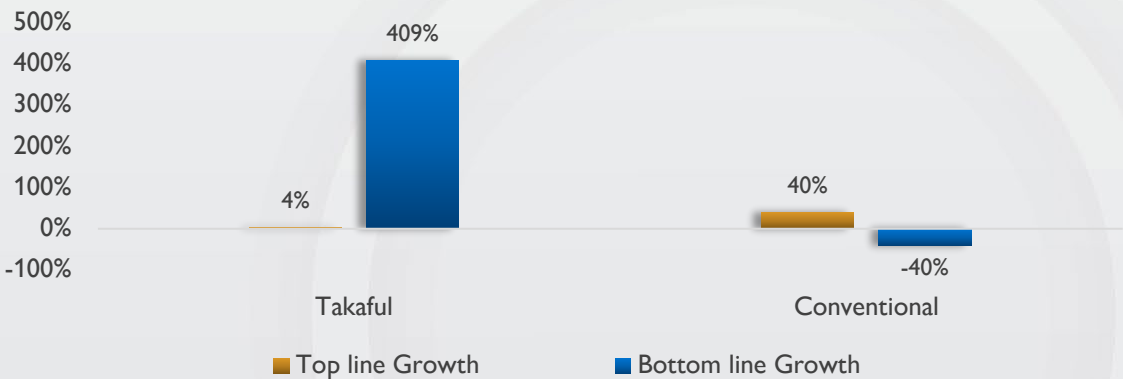
Conventional Vs Takaful – Listed Companies



Takaful & Conventional Business Distribution



Business Growth For Conventional & Takaful Insurers



Out of 8 listed insurance companies, 2 operate as Takaful Insurers in the Omani market.

The business by the Takaful companies contributed 12% of the total business by the listed insurance companies in Oman in Q3 2023.

The top line for Conventional insurers depicted growth of 40% when compared with the corresponding period of 2022.

The bottom line for Takaful Insurers reflected an increase of 409% in Q3 2023 when compared Q3 2022.

The bottom line growth has reflected a decrease of 40% in Q3 2023 for Conventional Insurers.

Due to implementation of IFRS 17, for conventional companies the top line comprises of Insurance revenue where as for takaful companies it is depicted by gross contribution.



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Profitability



Profit Before Tax - Listed Companies Trend



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The recorded profit (before tax) for the analyzed group of 8 listed companies experienced a decline from RO 14 million in Q3 2022 to RO 10 million in Q3 2023, marking a 29% decrease.

However, if DICS is excluded from this analysis, the profitability stands at -46% for Q3 2023 from the corresponding period of previous year. DICS has booked the highest profit amounting to RO 3.7 million, indicating a 58% increase from the previous year (Q3 2022: RO 2.3 million). DICS contributes 36% of the overall profit recorded by industry in Q3 2023.

The Highest profit growth is recorded by TAOI of 158% (from RO -0.96 million in Q3 2022 to RO 0.56 million in Q3 2023) while MCTI has recorded the largest decline of 219% (from RO 0.48 million in Q3 2022 to -0.57 million in Q3 2023) for the period.

It is important to note that for Takaful companies, net profits before tax on policyholder and shareholder accounts are consolidated for comparative purposes.

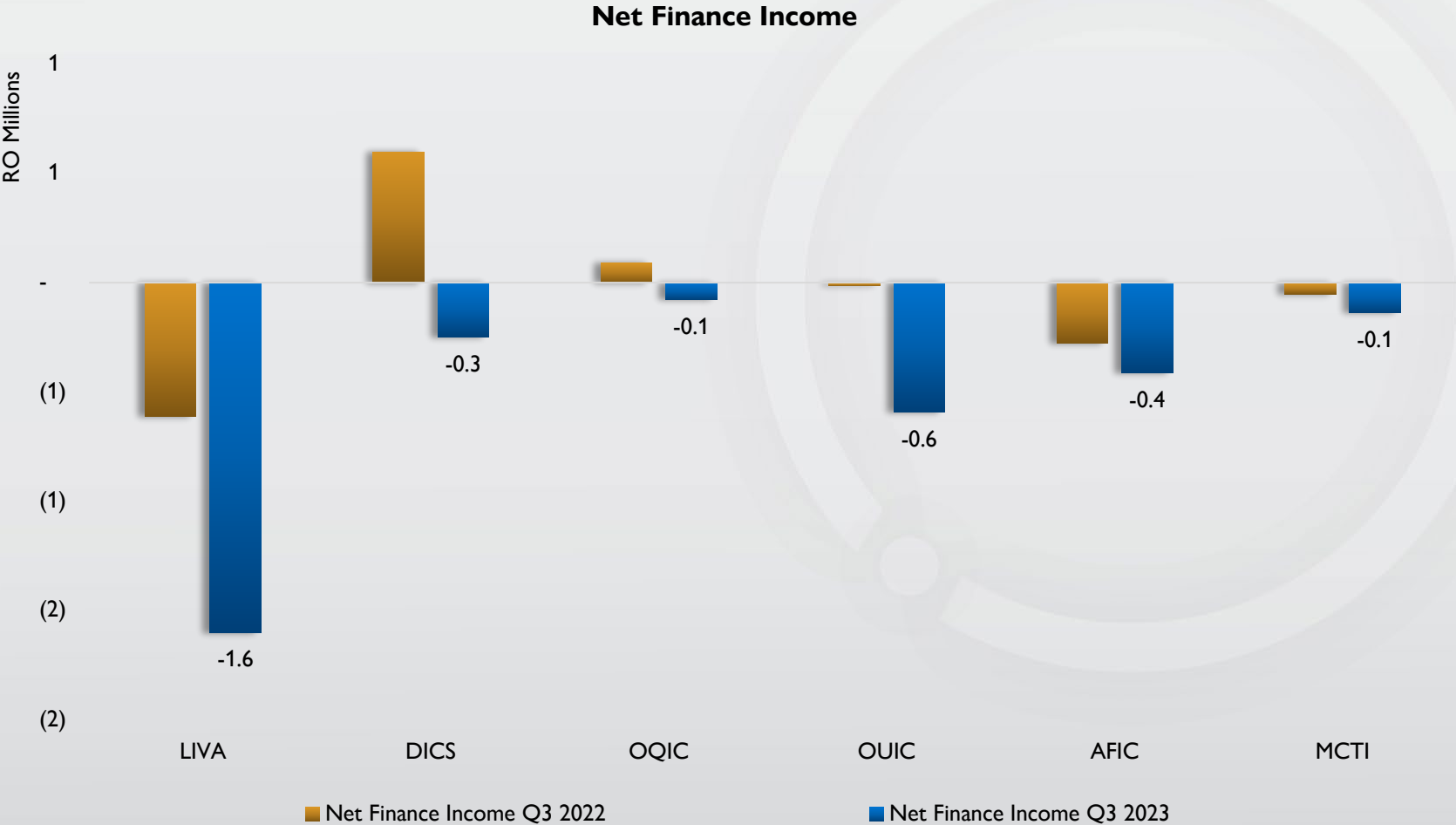
In a comparison with IFRS 4, the 6 conventional companies recorded a profit of RO 13.5 million according to their Q3 2022 financials. This amount has been restated to RO 13.9 million for the same period i.e., Q3 2022, under the IFRS17 framework.



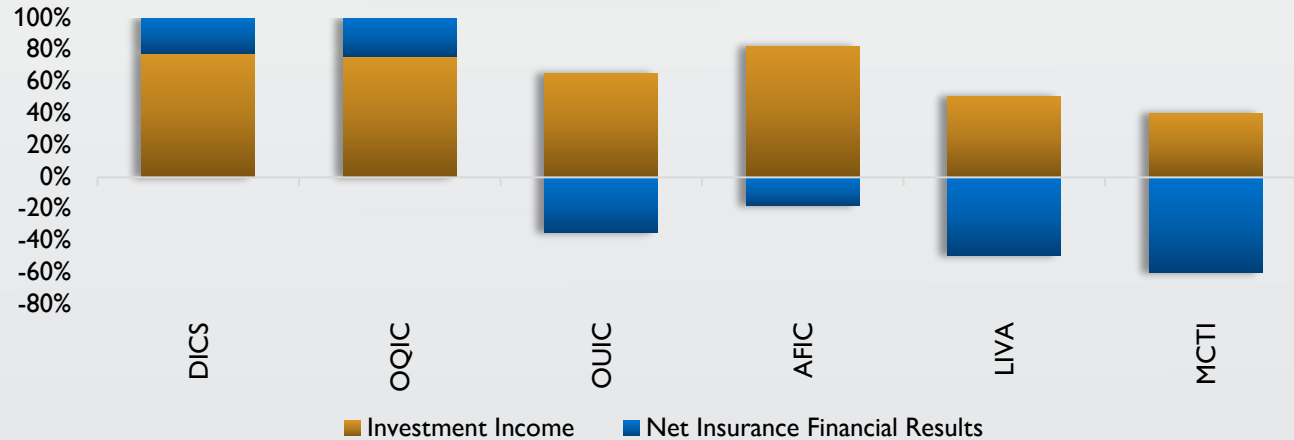
Net finance income, as stipulated by IFRS 17, encompasses both the interest income acquired from the contractual service margin (CSM) and the interest expense generated by the unwinding of the discount rate applied to insurance liabilities. This amalgamation reflects the cumulative financial effects of the time value of money and shifts in the present value of forthcoming cash flows.

During Q3 2022, the discount rates experienced an upswing, while in Q3 2023, they underwent a decline. Consequently, this year's expenses have surpassed the previous year's expenses for the majority of companies.

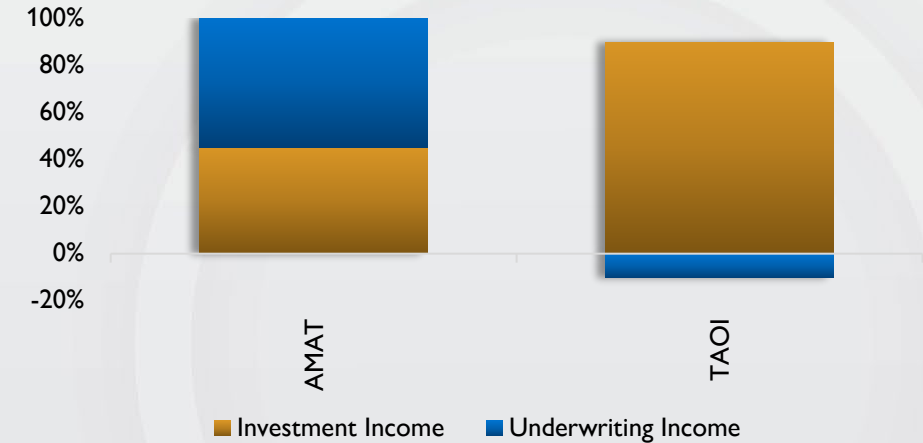
LIVA showcases the highest net finance loss, in contrast to OQIC, which displays the least net finance loss.



Profit Composition IFRS 17



Profit Composition IFRS 4



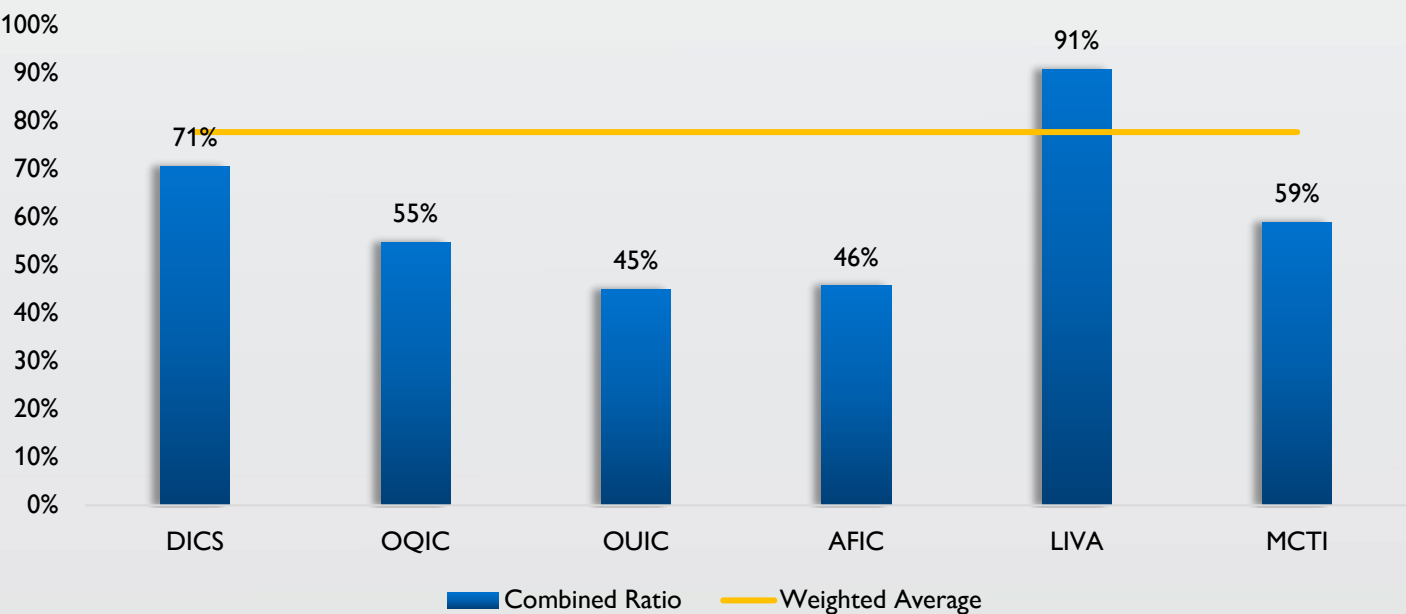
According to the analysis, the profit before tax for listed companies in Oman for Q3 2023 is a combination of net financial result for conventional companies (underwriting income for Takaful companies) and investment income. In Q3 2023, the total Net financial result for conventional companies / underwriting income for takaful companies and investment income earned were RO -9.9 million and RO 20.1 million, respectively. This marks a decline in underwriting income and increase in investment income from the previous year, where the figures were RO 0.2 million and RO 17.1 million, respectively.

Interestingly, the analysis shows that investment income is a key contributor to the overall profitability of listed companies in Oman. Despite some companies experiencing losses from their net insurance financial results/underwriting activities, they were able to recover these losses and generate profits through their investment income.

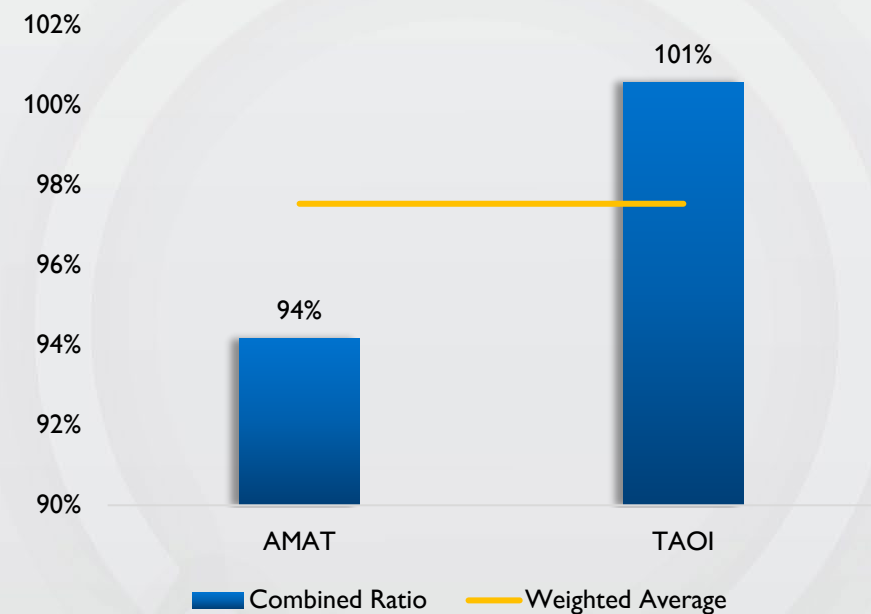
Due to the implementation of IFRS 17 for conventional companies the underwriting income KPI has been substituted with net insurance financial results

The analysis presented here is sorted by Q3 2023 Profit.

Combined Ratio IFRS 17



Combined Ratio IFRS 4



The weighted average combined ratio stood at 78% for conventional companies and 98% for takaful companies.

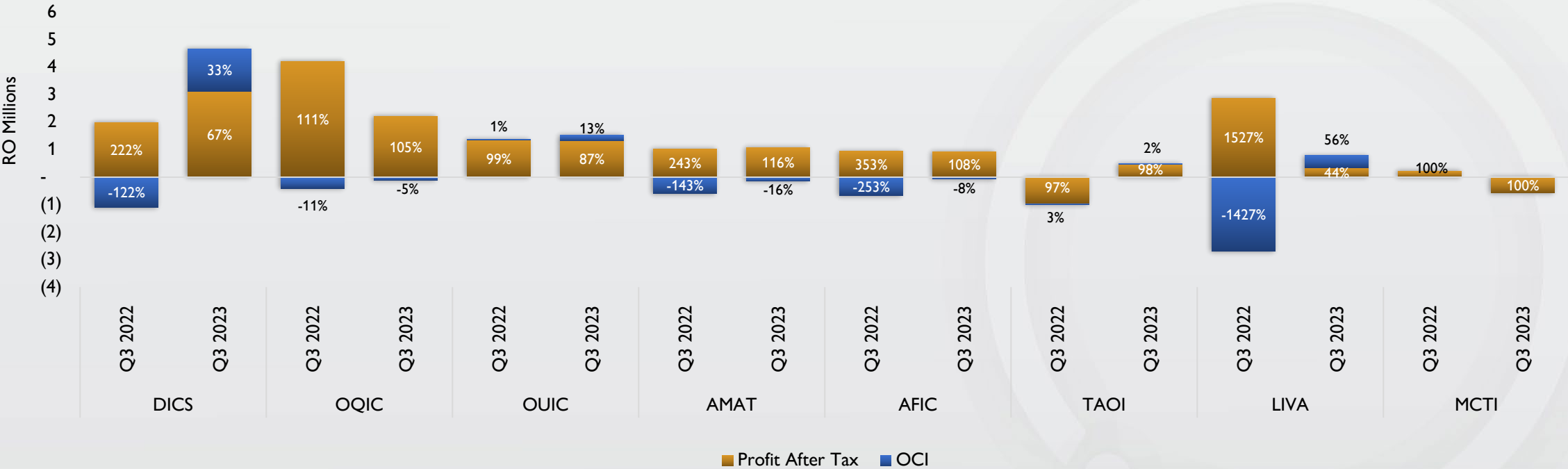
A company is considered profitable in terms of underwriting when its combined ratio is under 100%.

Combined ratio for conventional companies is computed as net insurance service expenses over insurance revenue and for takaful companies it is the sum of expense and loss ratio.

Total Comprehensive Income - Companies



Total Comprehensive Income



In the first 9 months of 2023, the Total Comprehensive Income experienced an increase of 74% compared to the corresponding period in 2022.

3 out of 8 companies in this analysis have shown losses in their OCI, as compared to 6 companies having losses on their OCI statements in Q3 2022.

For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes.

The Total Comprehensive Income is the sum of the Profit After Tax and the Other Comprehensive Income (OCI).



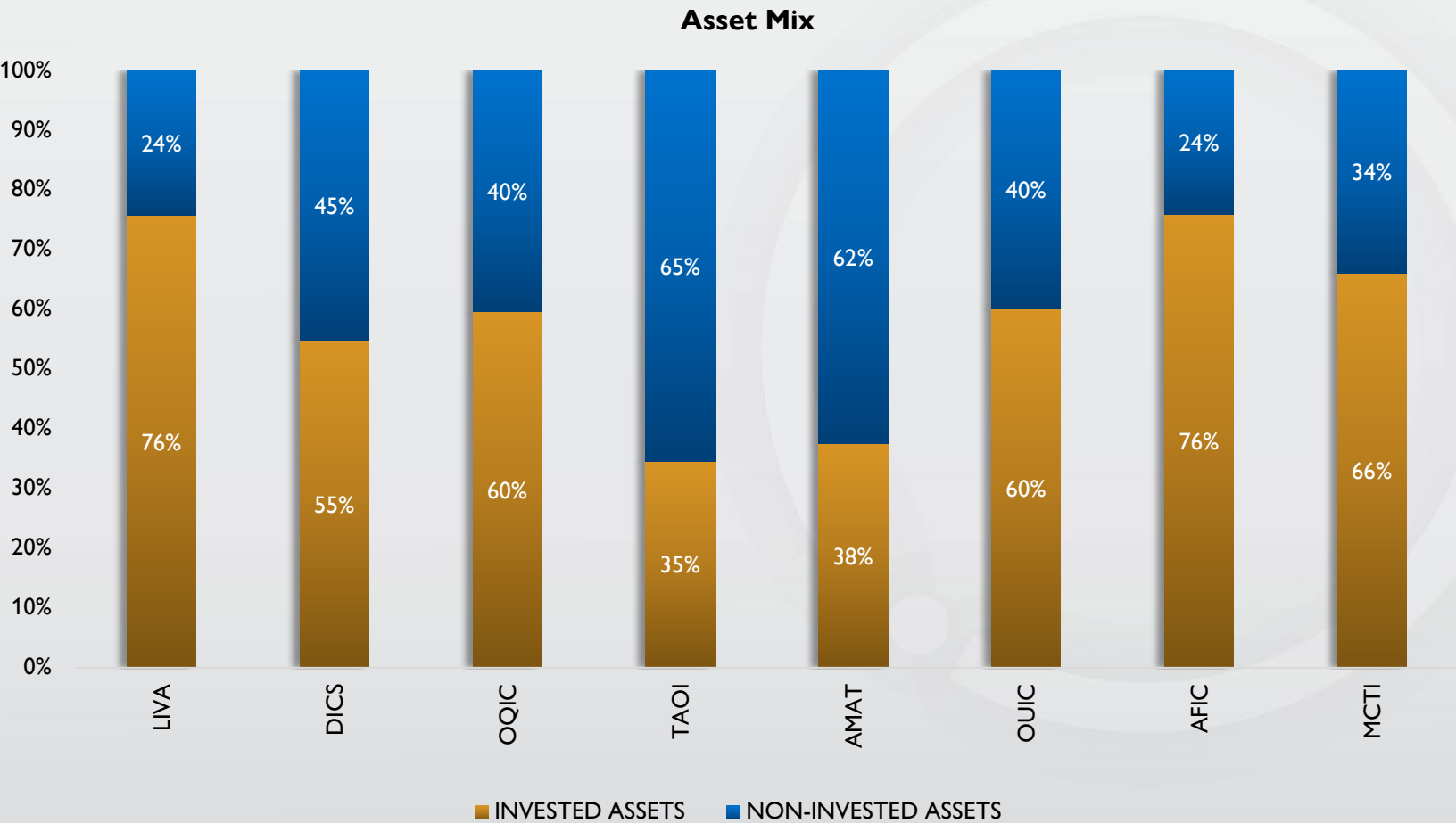
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Asset Mix

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 Sep 30, 2023. LIVA and AFIC have the highest proportion (76%) of invested assets, Whereas TAOI has the lowest proportion (35%) of assets invested. The market proportion of invested assets to total assets has been computed to be 62% (Q3 2022: 48%). The industry average is driven by LIVA, followed by DICS which have the highest amount of overall assets.

The above chart is sorted in descending order of Insurance Revenue of Q3 2023.





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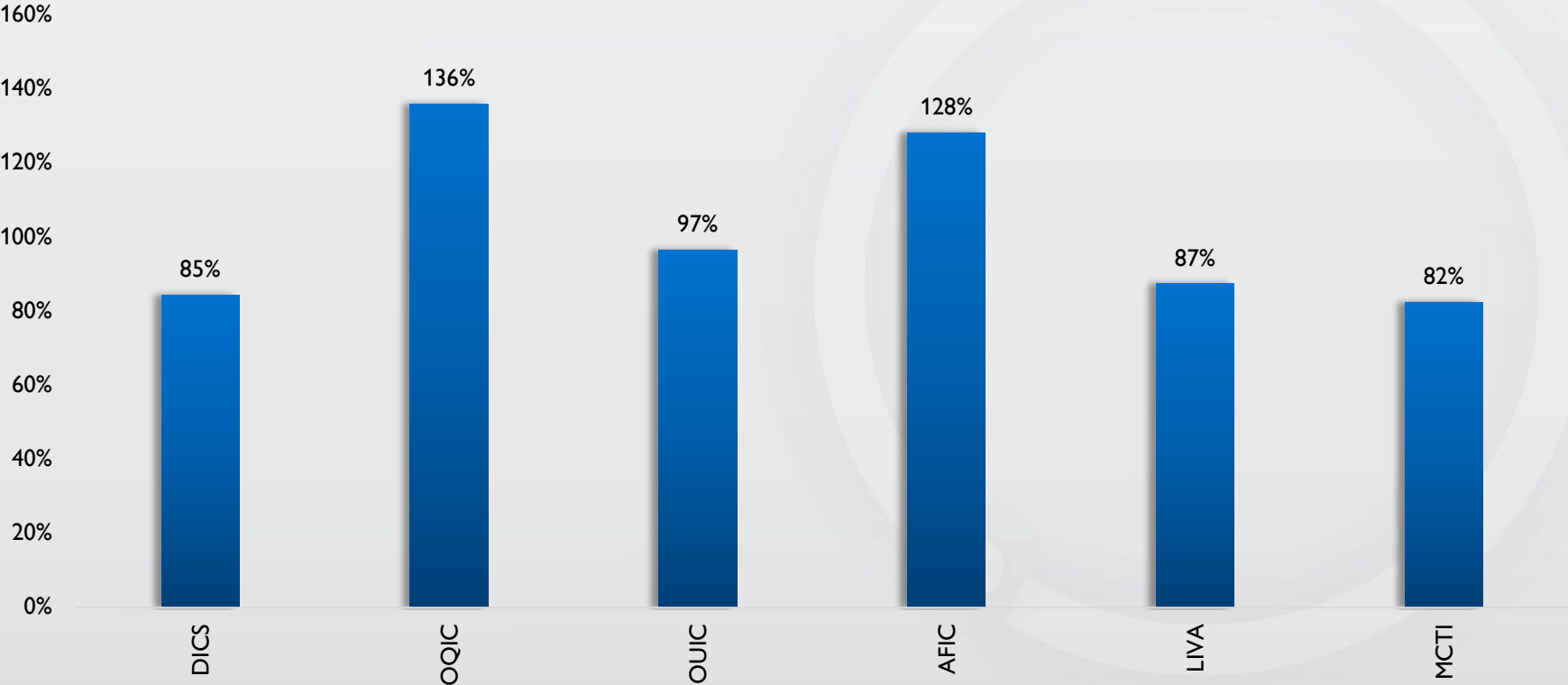
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IFRS 17 Comparison



The Profit Transition Ratio compares the Q3 2022 profit as reported last year under IFRS 4 with the profits shown as Q3 2022 as per the IFRS 17 financials published this quarter. At a total level the impact is only 2% as the profits for these 6 conventional companies last year totaled RO 13.5 million and this increased to RO 13.9 million under IFRS 17. OQIC saw the highest growth in Q3 2022 profit under IFRS 17 as compared to IFRS4.

Profit (Q3-2022) Transition Ratio



Percentage Non-Attributable Expenses

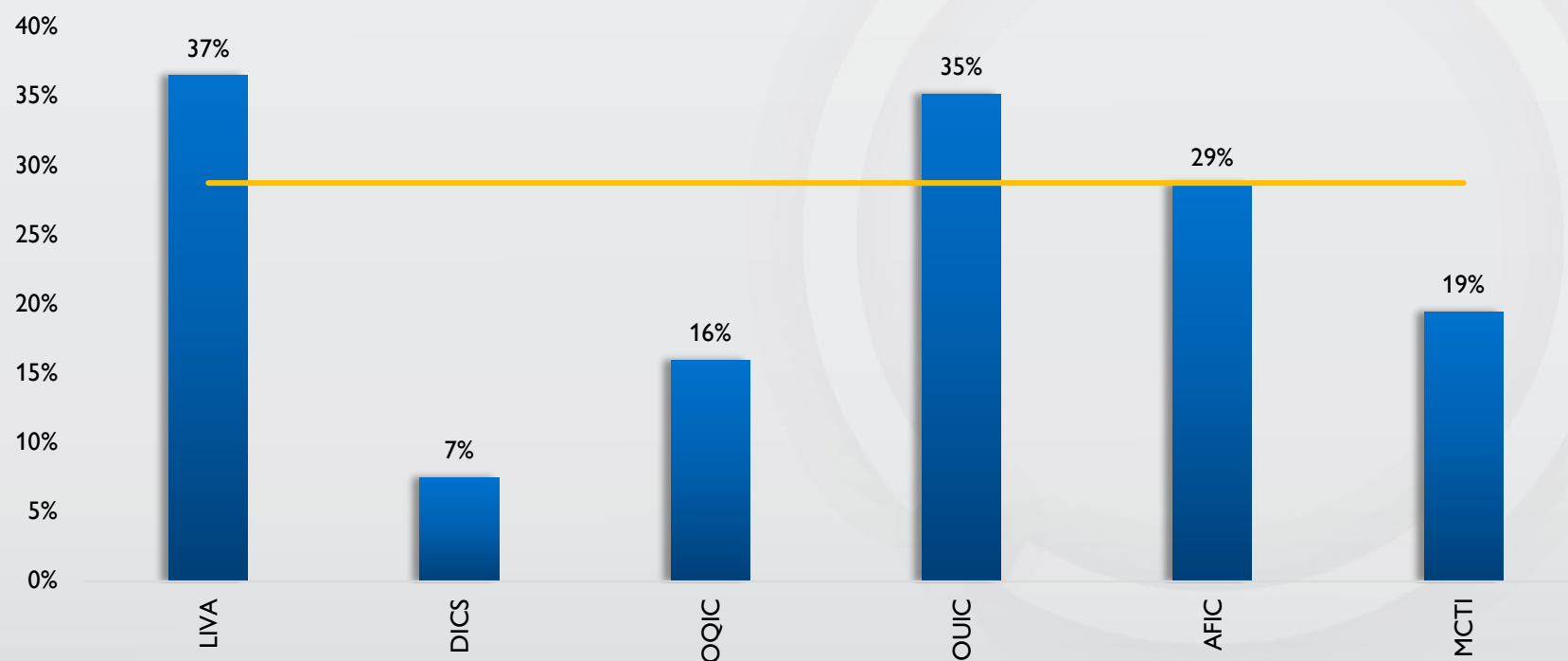


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While computing Premium Deficiency Reserves, we had to account for all expenses of the company. IFRS 17's equivalent to PDR is Loss Component. However, for computing loss component companies have to consider Attributable Expenses. While it is not straight forward to determine how much of the expenses are attributable, we compared the non-attributable expenses mentioned for Q3 2022 in this year's financials vs what the company had shown as total expenses in IFRS4 financial statements published last year. This is a crude estimation that we have done.

The higher the percentage of expenses which are non-attributable, the lower is the Loss Component. We expect some consistency to come in this area over time.

Non-Attributable Expense Ratio (Q3-2022)

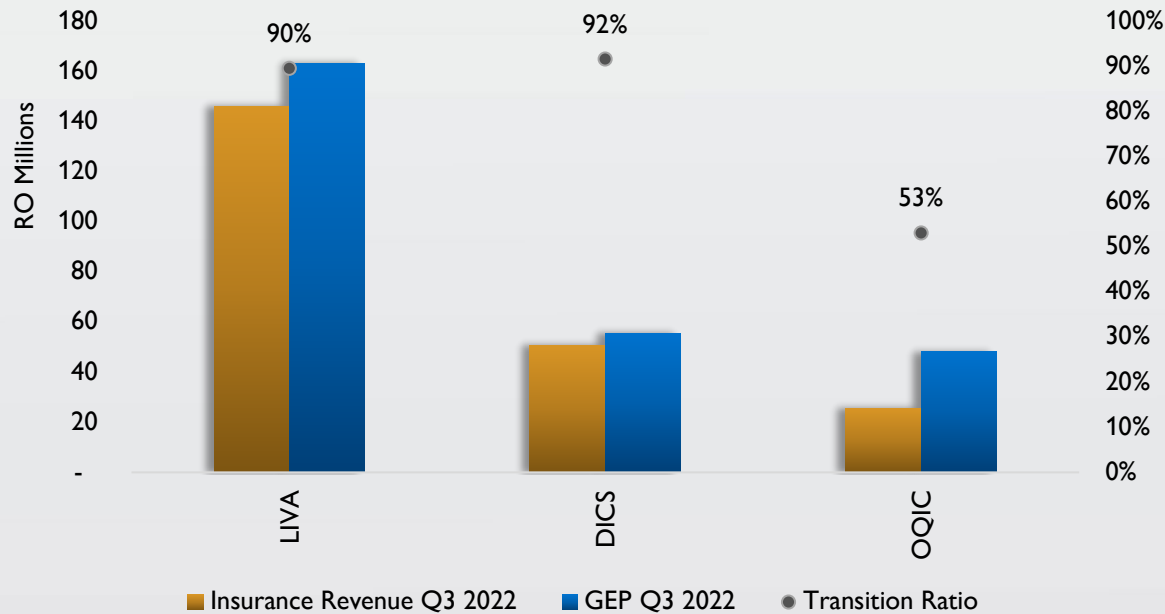


Insurance Revenue to GEP Transition

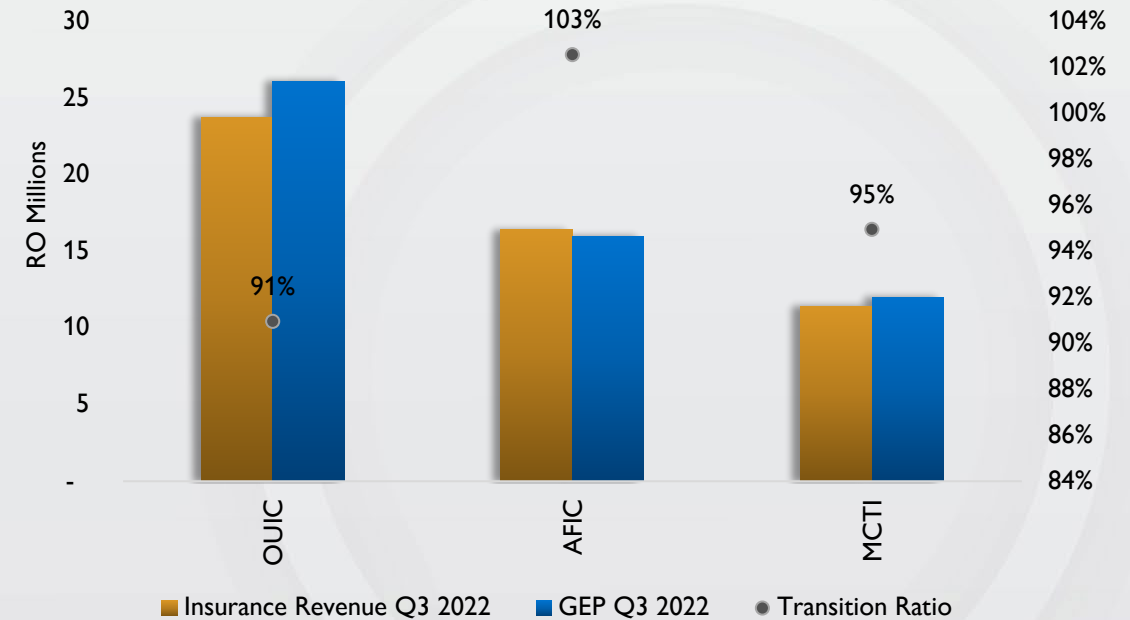


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Insurance Revenue to GEP Transition (Q3 2022) Top 3



Insurance Revenue to GEP Transition (Q3 2022) Others



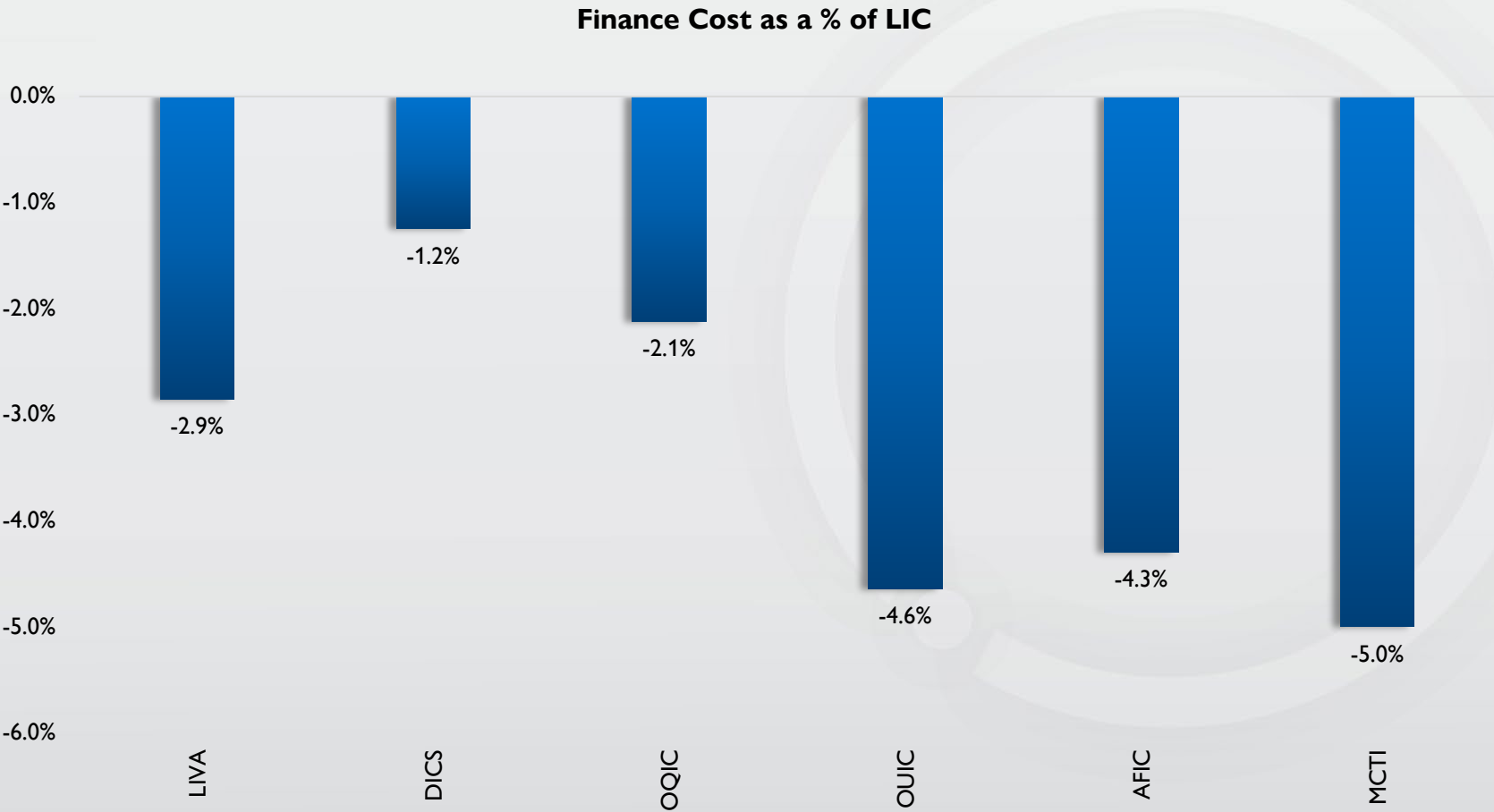
Under IFRS 17, Insurance Revenue would be akin to Gross Earned Premium. A key difference is that in IFRS17 (or due to IFRS9) the Expected Credit Losses (ECL) are deducted from the Insurance Revenue. To show the impact of the change in standards, we have compared the Gross Earned Premium shown in Q3 2022 financials to Insurance Revenue shown for Q3 2022 this time.

The graphs here depicts the transition impact of the same. Due to impact of ECL, the ratio should be below 100%. Companies having ratio above 100% shows that the revenue has increased for Q3 2022 as a result of transition. This is possible due to changes in revenue recognition, updated measurement methods, enhanced contract boundaries, and improved data quality.



Finance income (or expenses) directly impact the valuation of the liability for incurred claims through the discounting process in IFRS-17.

Since most of the companies are using PAA we have computed this KPI as being divided by LIC. The graph presents the proportion of financial expenses/(income) relative to the amount of claim liabilities.



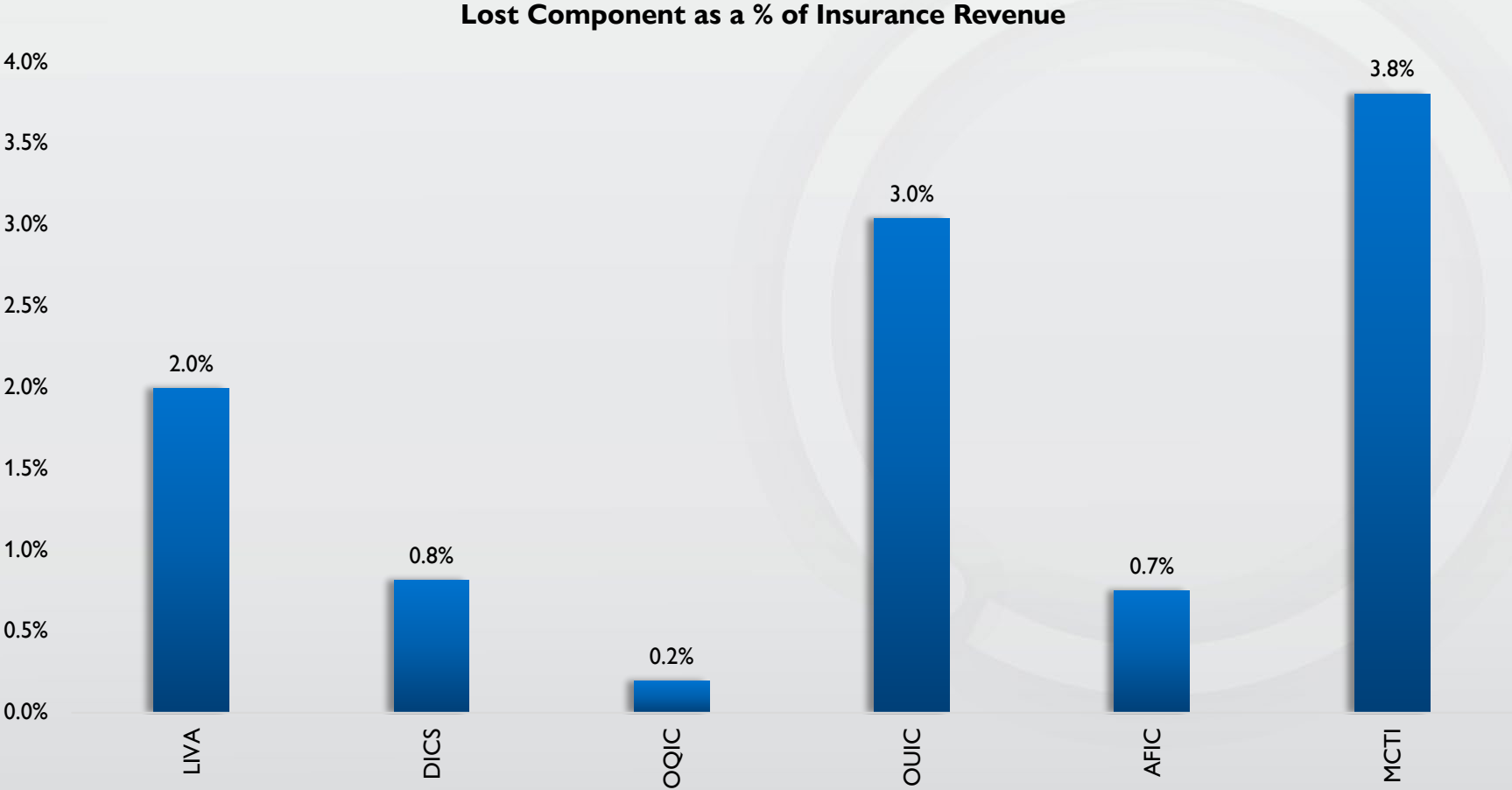
Lost Component as % of Insurance Revenue



The relationship between the loss component and insurance revenue is crucial for determining the overall profitability and financial performance of an insurance company. By analyzing the ratio of the loss component to insurance revenue, stakeholders can assess the efficiency of the company's underwriting activities and the adequacy of premium pricing in covering expected losses.

Hence, a lower percentage depicts the adequacy of reserves and ability to accurately estimate and cover expected losses in insurance contracts.

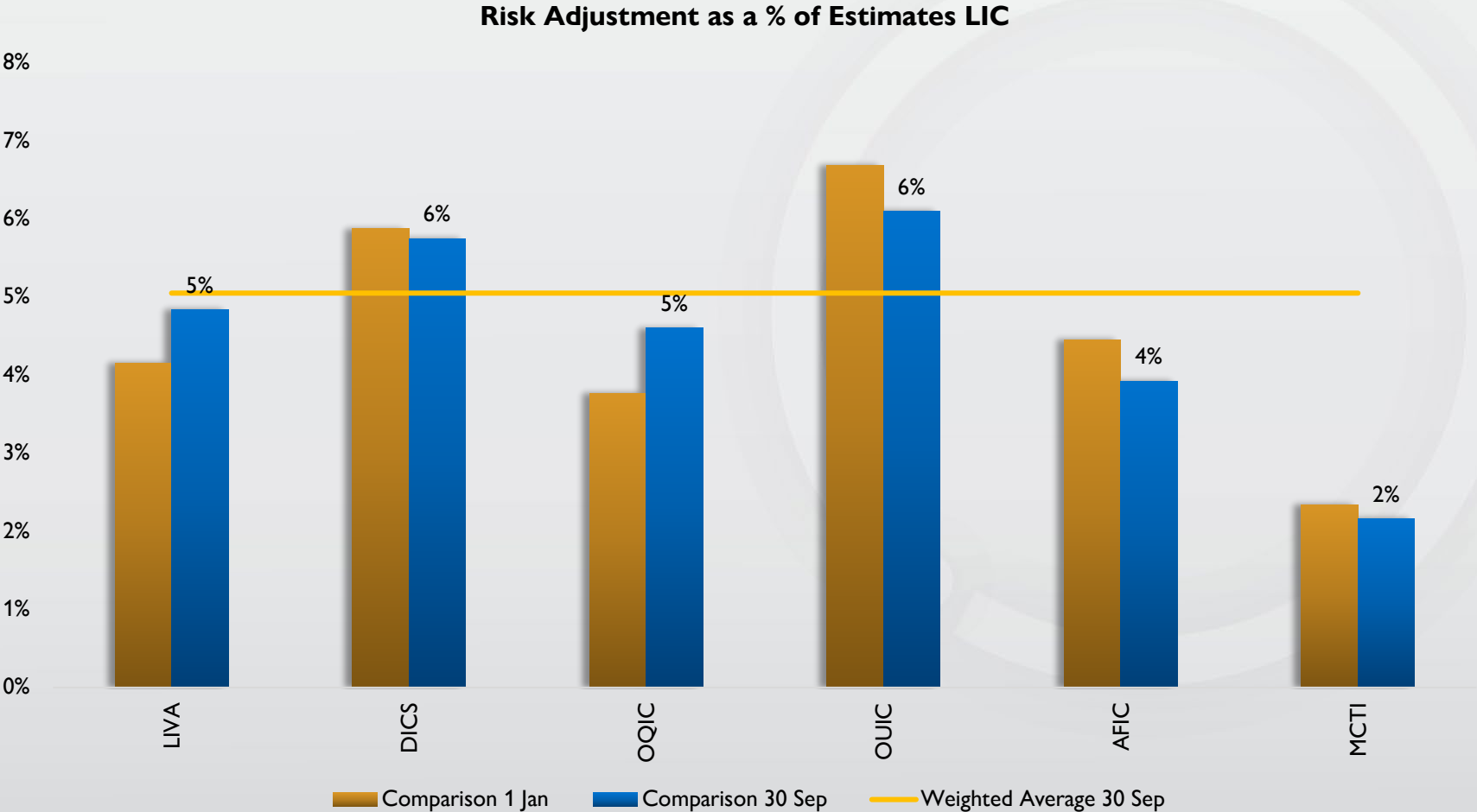
OQIC portrays the lowest loss component proportions of insurance revenue.



The graph depicts the relationship between risk adjustment and liability for incurred claims and provide insights into the Company's risk assessment and their diligence in accounting for these risks. It is an important KPI for stakeholders to evaluate the Company's prudence and risk management practices in financial reporting under IFRS-17.

The weighted average proportion of Risk Adjustment in LIC for the period of 1 Jan 2023 and 30 September 2023 is analyzed to be 5% respectively.

The Highest Ratio is depicted by OUI of 6% whereas the lowest is shown by MCTI of 2% as at 30 September 2023.





Conclusion

IFRS 17 brought about changes by transitioning of conventional companies from disclosing GWP to exclusively showcasing Insurance Revenue. Insurance Revenue mirrors Gross Earned Premium but now includes Expected Credit Losses (ECL). The sector is witnessing an uptick in Credit Risk, and we foresee growing industry challenges attributed to the heightened impact of ECL. Notably, for conventional companies there was a 40% increase in Insurance Revenue, reaching RO 384 million in Q3 2023, compared to RO 274 million in the same period last year. For takaful companies, gross contribution is still being used as their top line measure. The gross contribution increased 4% from RO 52 million in Q3 2022 to RO 54 million in Q3 2023.

Insurance Service Results for conventional companies saw a 31% decrease, falling to RO 7.5 million from RO 10.9 million in the previous year. Similar to IFRS 4's Underwriting Profits (net of expenses), these outcomes have experienced a decline.

The recorded profit (before tax) for the analyzed group of 8 listed companies experienced a decline from RO 14 million in Q3 2022 to RO 10 million in Q3 2023, marking a 29% decrease. It is important to note that for Takaful companies, net profits before tax on policyholder and shareholder accounts are consolidated for comparative purposes. In a comparison with IFRS 4, the 6 conventional companies recorded a profit of RO 13.5 million according to their Q3 2022 financials. This amount has been restated to RO 13.9 million for the same period i.e., Q3 2022, under the IFRS17 framework.

Though conventional companies have effectively revealed their financials following IFRS 17, the shift hasn't been devoid of difficulties. Takaful companies are yet to follow suit. While advancements are occurring, most firms have encountered hurdles along the way. We foresee enhanced financial report quality as companies streamline their data and operations. Particularly, reconciling Account Receivables/Payables and dealing with linked Credit Risk consequences has affected certain companies, leading us to expect more firms to set aside provisions for write-offs due to this factor.



Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in Oman for the first 9 months of 2023. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.

BADRI publishes reports and newsletters that provide insights for the insurance industry and the public. Our goal is to draw upon research and experience from our professionals to bring transparency and availability of information to the industry and in the process spread brand awareness. No part of our compensation received for other services directly or indirectly influences the contents of this report. The Analysts preparing the report are subject to internal rules on sound ethical conduct.

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The inclusion of the IFRS-17 analysis in our reports for the first time introduces the possibility of encountering errors. This likelihood primarily stems from the inconsistency observed in the treatment of accounts within the financial statements across various companies. These disparities can pose significant analytical challenges and impede accurate interpretation of the data.









While reasonable care has been taken in preparing this document and data obtained from sources believed to be reliable, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. Badri accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any thereof or due to any contents or associated services.

All the conventional companies have published their data in accordance with IFRS 17 standards where as takaful companies are still following IFRS 4 methodology.

Due to availability of limited information, we were unable to segregate further. Once all companies start publishing reports with uniform level of segregation, this can be done.



Companies Included in The Analysis

Company Logos	Company Name	Ticker Name
 المدينة تكافل Al Madina Takaful	Al Madina Takaful	AMAT
 Arabia Falcon Insurance التأمين العربية فalcon Insurance	Arabia Falcon Insurance Company	AFIC
 شركة ظفار للتأمين ش.م.ع.ع DHOFAR INSURANCE COMPANY (S.A.O.G)	Dhofar Insurance	DICS
 مسقط للتأمين mic	Muscat Insurance	MCTI
 liva	Liva Group formerly known as NLIF and AINS	LIVA
 Oman United Insurance Co. S.A.O.G	Oman United Insurance Company	OUIK
 QIC	Oman Qatar Insurance Company	OQIC
 تكافل عمان TAKAFUL OMAN	Takaful Oman Insurance	TAOI



About Our Team

Directors		5 Staff	
UAE/ Oman Actuarial	38 Staff	Medical	6 Staff
KSA Actuarial	37 Staff	IFRS 17	14 Staff
Business Intelligence	11 Staff	HR Consultancy	2 Staff
End of Services	4 Staff	Financial Services	6 Staff
Support & Admin	28 Staff	Data Science	1 Staff

Total Strength **152**



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Our Feedback

BADRI Management Consultancy is proud to present Omani Insurance Industry Performance analysis Q3 2023. 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.

Contact Us

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Pakistan

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Our Team



Hatim Maskawala



Ali Bhuriwala



Avnit Anand



Omar Khan



Shahrukh Abdul Rauf



Hassan Athar